

1999

## CPA letter, 1999

American Institute of Certified Public Accountants

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# The CPA Letter

January 1999 Vol. 79 No. 1  
A News Report to Members

## AICPA

## AICPA Releases Study on Social Security at Press Conference in D.C.

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At a press conference at the National Press Club in the nation's capital, the AICPA released a comprehensive, non-partisan analysis of the major options to reform Social Security in an effort to aid legislators in what is expected to be a complex and contentious debate in the 106th Congress.

The AICPA strongly urges policy-makers and the public to have a clear understanding of the issues before Congress takes a position on the 'right' solution for Social Security reform. Some of the facts highlighted in the study, *Understanding Social Security: The Issues and Alternatives*, include:

- Social Security keeps the majority of Americans over 65 out of poverty. In fact, for 40% of America's elderly, Social Security accounts for more than 75% of total income at retirement.

- About 90% of current retirees receive only \$750 per month, on average, from Social Security, and future retirees will likely receive even less.

- Serious pockets of poverty still exist for the elderly, and therefore, there is a corresponding reliance on Social Security income. Older women are twice as likely as men to be in poverty, and for both African Americans and Hispanic Americans, the elderly poverty rates hover at approximately 25%—about two and a half times larger than that for white Americans.

- The number of workers to every 1 beneficiary continues to decline. In 1960, the worker-to-beneficiary ratio was 8.6 to 1; currently it is 3.3 to 1 and is projected to be 2.2 to 1 in 2025.

Among the major issues examined in the study are the current financial condition of Social Security, Social Security and poverty in America, Social Security and individual fairness (in terms of benefits and investments), Social Security and the national economy, Social Security and the stock market, and options for reform. The study takes an in-depth look at six major reform options.

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## AICPA Migrates from Software Development, Acquires PPC's Seminar Business

After careful evaluation, the AICPA has decided to leave the software development business after 10 years. Rapid changes in technology, coupled with the AICPA's resource constraints in software development, had necessitated an intensive evaluation of how to best meet the needs of its software customers. The outcome was that the Institute should sell its ATB and Depreciation software product lines to a quality software development company that can better serve users' needs.

Creative Solutions, part of the Research Institute of America Group, has purchased the AICPA's ATB and Depreciation software product lines. The company has been

providing fully integrated software solutions to accountants since 1979 and offers top-quality software programs and service. Under the arrangement, the AICPA will continue to market ATB for Windows to members.

Current owners of AICPA ATB and Depreciation software products were mailed a letter with details on the transition and the changes planned for these products (e.g., year 2000 compliance).

As part of the same deal, the AICPA acquired the Seminar Business series of professional education courses from Practitioners Publishing Company, a division

*continued on page 4*

## AICPA Introduces Variable Annuity

With contributions to qualified retirement plans and IRAs being limited, the new AICPA Variable Annuity offers members a sound way to plan for retirement.

Under current tax laws, the AICPA Variable Annuity receives tax-deferred treatment. Besides the opportunity for long-term growth, you also control where your money is allocated and can diversify contributions among the available professionally managed fund options.

Other features of this new benefit include:

- Low costs—the mortality and expense fee is just 0.50%—more than 60% lower than the industry average of 1.29%<sup>1</sup>
- No sales or surrender charges
- High maximum annual contributions
- 24 free transfers among the available options per calendar year
- Guaranteed death benefit
- Numerous annuity payout options

The AICPA Variable Annuity is issued by Great-West Life & Annuity Insurance Company. Great-West's combination of ratings places it among the top 1% of more than 1,750 "significant and active" life/health insurance companies in North America.<sup>2</sup>

For a free information packet—including prospectuses and an application, call 800/355-1608, ext. 11.

<sup>1</sup>Source: 9/30/98 Morningstar; Variable Annuities/Life; 280 variable annuities surveyed.

<sup>2</sup>Based on a 12/97 survey conducted by Great-West. Ratings do not apply to the AICPA Variable Annuity or to the underlying fund portfolios.

Group variable deferred annuity contracts, form J438, are issued by Great-West Life & Annuity Insurance Company. Securities, when offered, are offered through BenefitsCorp Equities, Inc., a wholly owned subsidiary of Great-West. May not be available in all states. Account value will fluctuate with market conditions and is not guaranteed as to principal.

## Auditing Notices to Practitioners: Where Did the Guidance Go?

The Audit Issues Task Force recently undertook a project to determine the disposition of auditing guidance issued over the last 15 years as *Notices to Practitioners*. Its objectives were to determine what guidance is still relevant and whether it had been incorporated into a more retrievable form, such as an auditing interpretation or statement of position. To obtain the findings, check this month's public accounting member-segment supplements (see access instructions below).

## Advertising Campaign Directed to Minority High School/College Students Begins

In the AICPA's continuing efforts to strengthen participation of the minority community in the profession, an aggressive outreach program to minority high school and early college students has kicked off with the launch of a formal advertising campaign. The ads feature movie and television celebrities and sports figures accompanied by their CPAs. The underlying message is the importance of a CPA to the star's financial well being. The campaign carries the tagline "Be a star in business. Be a CPA."

The first ad was placed in the Dec. '98/Jan. '99 issue of *Vibe* (a music-oriented monthly magazine) featuring Lisa Leslie, WNBA basketball player and model, with Melba Simpson of Simpson & Simpson CPAs. Barry Sanders, NFL football player, along with Michael Steele of Williams, Adley & Co. LLP, will be in the inaugural issue of the high school version of *New Accountant* magazine. Another run in *Vibe* magazine with Barry Sanders is planned for spring. In addition to the national runs, the ad campaign will be piloted in three states through placements in college and high school newspapers. Mini-posters of

the ads and additional career information will be distributed to students who respond to the ads, as well as to high schools, colleges and state CPA societies.


Other stars being featured in the ads are Robert Horry, NBA basketball player (Wayne McConnell of McConnell & Jones LLP as CPA) and John Elway, NFL football player (Antonio Argiz of Morrison, Brown, Argiz & Co. as CPA).


## Obtaining Reprint Permission for Articles in AICPA Publications

Members who wish to reprint an article from any AICPA publication must first obtain copyright permission from the Institute. The Permissions Hotline is a recorded message that provides instructions on how to obtain permission to reprint or otherwise reproduce AICPA-published material. Call the hotline at 201/938-3245.

## CPA Letter Supplements Available

To obtain any of the member-segment supplements (noted in *italic*) produced this month with *The CPA Letter*:

 Dial 201/938-3787 and select document no.: *large firms*, 1558; *medium firms*, 1559; *small firms*, 1560; *business & industry*, 1561; *finance & accounting*, 1562; *internal audit*, 1563; *government*, 1564; and *education*, 1565

 [www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm); select Jan. 1999

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings:

**Accounting Standards Executive Committee:** Jan. 28-29, San Diego

**Auditing Standards Board:** Feb. 9-11, location TBD

**Professional Ethics Executive Committee:** Feb. 18-19, Ft. Lauderdale

## National Accreditation Commission Starts Work on Specialty Designations

October 26–27 marked the first meeting of the newly formed National Accreditation Commission, chaired by former AICPA Chair of the Board Dominic A. Tarantino. At the meeting, the NAC reasserted its charges to recommend and implement specific accreditations (i.e., both to seek out potential accreditation candidates and to develop a process for determining which specialties should be accredited); provide continuing oversight for all accreditations, including the PFS and ABV designations; and promote the CPA brand by marketplace differentiation as a result of successful accreditations.

The commission agreed that the emphasis must be to identify areas to accredit that will bring economic benefit to members, in terms of greater fees to public members and enhanced career progress to members not in public accounting. It also indicated that while knowledge and experience must be at the foundation of a designation, the entry as well as maintenance requirements should encourage a significant member response for each particular specialty. Having larger groups of designees who will be promoting their specialties in the markets they are serving is critical to developing the market awareness and

demand needed for specialty designations to add value to their holders.

The commission discussed how to measure member benefits; the minimum number of CPAs required for a viable accreditation program; model business cases; alternative qualifications, including self designation; and a proposed implementation timetable. These issues and others will receive further attention at future meetings. It was decided that the commission's focus should be on newer and/or emerging services; the accreditation potential of existing specialties, where there is *no* dominant provider, should also receive attention but will be secondary.

A number of possible specialty areas were identified for future consideration. The commission received a presentation from the Information Technology Executive Committee, the representatives of which were invited back to attend the Dec. meeting. NAC also had an initial dialog session with the AICPA staff liaison of the Business and Industry Executive Committee.

At its Dec. meeting, the commission heard from representatives of consulting services and forensic accounting, in addition to the IT Executive Committee.



By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

### chair's corner

Washington office in general. Led by former AICPA Chair of the Board Jake L. Netterville, 23 politically savvy individuals from our profession comprise the Cabinet. Their leadership, activity and effectiveness will give the profession valuable political insight and guidance.

Serving as an advisory panel to the board of directors, our political action committee and our Washington office, the Cabinet will help to reinforce the principle that it is a duty of leadership to represent the profession in the political process. It will reach out to state CPA societies, committee chairs, board and Council members, and other leaders for participation. It also will lead the way in getting the membership more politically involved.

Just as important, the Cabinet will help identify the public policy issues in which the profession can and should contribute. For instance, the AICPA recently completed a study entitled *Understanding Social Security: The Issues and Alternatives* that was distributed to members of Congress and key policy makers in early Dec. (see page 1). This is an outstanding document, and it exemplifies the contribution CPAs can and should make to the public policy debate. Our public

interest tradition requires us to speak out on the public's issues in areas where our valuable and unique insight can guide the debate with unbiased facts and analysis.

If we are going to impact public perception of our profession as we move forward with the Vision, our efforts must include changing the perceptions of our nation's leaders. Increased involvement, visibility and availability are key to accomplishing this goal, and I have asked the Political Leadership Cabinet to champion the cause.

Even with the best efforts of the Cabinet, the Key Person Program, the profession's leadership and our Washington office, there is still a great need for individual member's political involvement—and I challenge each of you to step forward. Volunteer for the Key Person Program if you have a relationship with a member of Congress. Support relationship-building efforts with members in Congress and with congressional candidates by contributing to the Effective Legislation Committee (our profession's PAC). Each of us has a duty to contribute some time (and a little money) to the "upbuilding" of this wonderful profession. Get involved!



okirtley@vacorp.com

I have always believed it to be critical that CPAs be politically involved, for the benefit of both the public and the profession. We need to develop strong, two-way relationships with members of Congress so that they know to call on us as a resource when developing public policy and so that we can call on them when we have needs. This objective is the charge of the newly formed Political Leadership Cabinet, one of my primary initiatives.

The Political Leadership Cabinet builds on and expands the tremendously successful AICPA Federal Key Person Program and the efforts of our



*continued from page 1* — **AICPA Migrates** of RIAG. Included are the seminars of Andrew R. Biebl and Robert J. Ranweiler, long respected as authorities on taxation, as well as those of other authors and instructors in consulting, management, accounting and auditing, and specialized knowledge.


"This arrangement with RIAG represents another example of the Institute's

strategic use of alliances with other organizations to provide outstanding products and services to members to improve the competitiveness of CPAs among other financial service providers," said Charles M. Peck, senior vice president—marketing, product and organizational development. "Shifting focus from software development to distribution and marketing enables the AICPA to devote resources to

reviewing, assessing and selecting the best software products CPAs will need to meet the challenges of the future marketplace in line with the Vision of the profession. Similarly, life-long learning is one of the top five core values identified by the Vision effort, and we now can offer many outstanding seminar courses to help members continually acquire new skills, knowledge and abilities."

### Call for Professor/Practitioner Cases

The AICPA is now accepting proposals for cases under the 1999 Professor/Practitioner Case Development Program. This program is designed to promote collaboration of accounting educators and practitioners (not exclusive to public accounting) in the development of real-world-based cases for use in the accounting classroom. Of particular interest are cases that address issues or services identified in the CPA visioning process; cases relating to the new assurance services that illustrate how the accountant or auditor can add value for an employer or client; cases dealing with the "new finance" that blends information technology with financial decision making and new management techniques; cases dealing with the global marketplace and international issues; and cases that address ethics and/or fraudulent financial reporting and strategies for preventing and detecting fraud. Cases should be linked to the development of individual competencies identified by the CPA Vision Project — communication skills, strategic and critical thinking skills, focus on the client and market, interpretation of converging information, and being technologically adept. Cases should take an integrative approach that recognizes related issues that may cross over traditional accounting course or disciplinary boundaries. Proposals are due Jan. 29. For information:

 [www.aicpa.org](http://www.aicpa.org)



Dial 201/938-3787 from a fax machine, document no. 247



[educat@aicpa.org](mailto:educat@aicpa.org)



212/596-6221

### Call for Nominations for AICPA Distinguished Achievement in Accounting Education Award

AICPA members are invited to nominate an accounting educator for the 1999 AICPA Distinguished Achievement in Accounting Education Award (formerly named Lifetime Achievement in Accounting Education Award). This award is designed to recognize accounting educators distinguished for excellence in teaching and for national prominence in the accounting profession. Nominees must be current full-time or recently retired (within the last five years) accounting educators with a teaching career of at least 20 years. Nominations are due Feb. 1. For a nomination form and more information on the award:



[www.aicpa.org](http://www.aicpa.org)



Dial 201/938-3787 from a fax machine, document no. 249



[educat@aicpa.org](mailto:educat@aicpa.org)



212/596-6221

### Statement of Position No. 98-9 Issued

AICPA Statement of Position No. 98-9, *Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions* (No. 014920CLD1), has been issued. The SOP amends paragraphs 11 and 12 of SOP 97-2 to require recognition of revenue using the "residual method" when: (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting, (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement, and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. Under the residual method, the arrangement fee is recognized as follows: (1) the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is deferred and subsequently recognized in accordance with the rele-

vant sections of SOP 97-2 and (2) the difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements.

The SOP also amends SOP 98-4, *Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition*, to extend the deferral of the application of passages of SOP 97-2 that is provided by SOP 98-4 through fiscal years beginning on or before Mar. 15, 1999.

The provisions of the SOP that extend the deferral of the application of passages of SOP 98-4 became effective Dec. 15, 1998. All other provisions of the SOP are effective for transactions entered into in fiscal years beginning after Mar. 15, 1999. Earlier adoption is permitted as of the beginning of fiscal years or interim periods for which financial statements or information have not been issued. Retroactive application of the provisions of the SOP is prohibited.

For a copy of this SOP, contact the Member Satisfaction Team (see page 6). Price: \$10.50 member, \$13 non-member.



## CPAs Encouraged to Be Tax Season Volunteers for Low-Income Earners

For 30 years, thousands of active and retired CPAs from all segments of the profession—public, industry, government and education—have helped tens of thousands of low-income people with their tax returns, during tax season and for free. Changes in tax laws and forms can easily confound people who are barely literate in English—changes such as the child tax credit and the education credits. The coming tax season is likely to be the most difficult for people with low incomes.

By volunteering, you will be helping yourself as well as helping others. A recent *Wall Street Journal* article noted that volunteering can offer career benefits and be a way of learning new management skills in a low-risk setting. One survey notes that employees are more likely to volunteer when their employers actually sponsor programs. In addition, volunteer work in taxation is without risk since the definition of “preparer” requires compensation.

Each program listed below is a tax clinic led by tax professionals and is looking for CPA volunteers. All are independent and non-profit. Complex issues may be tackled, such as tax treaties. Even the earned income credit has been described as one of the more difficult areas of the tax law. Some of the programs offer training courses

that qualify for CPE credit, and some provide accounting and consulting services in addition to tax. (There are other non-tax programs in other parts of the country; contact Accountants for the Public Interest at 410/837-6533.)

**Baltimore**, Maryland Volunteer Lawyers Service, 410/547-6537

**Boston**, Community Tax Aid of Boston, 617/330-4721\*

**Colorado**, Colorado CPA Society, 303/773-2877

**Detroit**, Accounting Aid Society, 313/961-1840

**Illinois**, Center for Law and Human Services, 312/341-1666

**Minnesota**, Minnesota Accounting Aid Society, 612/288-9476

**New Jersey**, Accounting Aid Society, 908/249-7565

**New York City**, Community Tax Aid, 718/445-3271\*

**San Francisco**, Tax Aid, 650/312-8044\*

**Washington, D.C.**, Community Tax Aid, 703/318-2122

**W. Hartford, Conn.**, Community Accounting Aid and Services, 860/570-9113

\*These phone numbers may be given to the public only after permission from the organization.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

— *Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year.

- George M. Devins of Manhasset, N.Y., effective July 17, 1998, after pleading guilty to making false claims.
- Howard A. Dudnick of Bellmawr, N.J., effective July 17, 1998, after pleading guilty to bank fraud, mail fraud and money laundering.
- Stanley Minkin of Toms River, N.J., effective July 17, 1998, after pleading guilty to conspiring to defraud a financial institution and bank fraud.
- Joan M. Noske of Richmond, Minn., effective July 17, 1998, following a U.S. Court of Appeals decision affirming her conviction for conspiracy to defraud the United States by impeding the Internal Revenue Service, conspiracy to evade income taxes, income tax evasion and structuring a monetary transaction.
- Douglas L. Woodside of Maupin, Ore., effective July 17, 1998, after pleading guilty to bankruptcy embezzlement.
- Gary D. Parsons of Chattanooga, Tenn., effective July 21, 1998, after pleading guilty to willfully subscribing U.S. individual income tax returns under the penalty of perjury.
- Susan K. Hastings of Rapid City, S.D., effective July 22, 1998, following a U.S. Court of Appeals decision affirming her conviction for bank fraud, engaging in a monetary transaction in property derived from unlawful activity and laundering of monetary instruments. Ms. Hastings' membership had been suspended pending the appeal of her conviction.
- George W. Jordan of Cross Lanes, W.Va., effective July 30, 1998, after pleading guilty to embezzlement.
- David A. Shafer of Springboro, Ohio, effective July 30, 1998,

after pleading guilty to conspiracy to commit tax fraud.

— *Terminated* effective July 17, 1998, following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Jeffrey Lynn Brown of Spring Grove, Pa., for embezzling monies belonging to a company in which he was the controller.
- Dwight W. Miller of Overland Park, Kan., for holding himself out to be a CPA in Kansas without the required permit to practice; failing to obtain the required number of hours of continuing professional education; and for holding himself out to the public, employing two CPAs and two non-certified accountants under a firm name without registering the firm name with the board and the Kansas Secretary of State's Office.

### disciplinary actions

As a result of an investigation of alleged violations of the Code of Professional Conduct of the AICPA, the following ethics case has been resolved by settlement agreement under the Joint Ethics Enforcement

Program:

- Dennis E. Evans of Houston settled charges on Nov. 16, 1998, of violating AICPA Bylaw 7.4.6 by failing to make a substantive response to interrogatories from the AICPA Professional Ethics Division. Without admitting or denying the charges, Mr. Evans agreed to be expelled from membership in the AICPA.

### Firm Terminated from Peer Review Program

Effective Sept. 4, 1998, the firm of Philip M. Thompson from Des Moines, Iowa, was terminated from the AICPA Peer Review Program for failure to cooperate with the AICPA Peer Review Board. A hearing panel deemed that the firm failed to return the signed acknowledgement showing the firm's agreement to take corrective or monitoring actions necessary as a result of its most recent peer review.

**NEWLY UPDATED—*Tax Practice Management*** (No. 029540CLD1) has everything you need in an easy-to-use loose-leaf format to begin building a more profitable and efficient tax practice. Consult this convenient year-round practice tool to quickly find a form or letter during tax season, or use its proven advice after the crunch to plan a powerful marketing campaign. To keep you current, annual supplements will be shipped to you automatically. Price: \$145 member, \$159.50 non-member.

**NEWLY UPDATED—*The Accountant's Business Manual*** (No. 029418CLD1) saves you precious time researching the wide range of inquiries you receive each day. This two-volume set is a proven reference that thousands of accounting practitioners depend on for immediate practice advice. There are invaluable charts, checklists, forms, formulas and illustrations, as well as a section on financial mathematics. Your volumes are always current because practitioners William H. Behrenfeld, JD, LL.M., CPA; Andrew R. Biebl, CPA; and other experts keep track of the latest developments and are continually updating the tabs in the two volumes. Twice a year, you automatically receive supplements of up to 400 pages of up-to-the-minute information. As a first-time buyer, you will automatically receive the most current supplement (Dec. 1998) free. Price: \$172.50 member, \$189.75 non-member.

**NEW SECOND EDITION—*A CPA's Guide to Making the Most of the New IRAs*** (No. 090459CLD1), written by renowned author and lecturer Robert Keebler, CPA, MST, is a comprehensive resource to learn about new planning opportunities for your clients. This newly updated planning tool includes a guide with complete coverage of Roth Regulations and the new Technical Corrections Act; a new audiocassette that provides an overview of planning ideas for your clients; and Roth IRA Converter Software, provided by Brentmark Software, that calculates after-tax distributions in order to evaluate the desirability of a Roth IRA conversion. Price: \$44 member, \$55 non-member.

**NEWLY UPDATED—*Solving the Year 2000 Dilemma*** (No. 093013CLD1) features case studies and gives CPAs timely, quality information on the problem in easily understood language. Updated features include new estimated economic effects of y2k; how to perform a thorough PC test; the difference between y2k-ready and y2k-compliant; how to evaluate your products, services, customers and suppliers for y2k; and more pitfalls and warnings

about y2k issues. Price: \$29 member, \$39 non-member.

***Preparing and Reporting on Cash- and Tax-Basis Financial Statements*** (No. 006701CLD1) is the newly issued 1998 edition of this guide offering practitioners guidance and examples on cash- and tax-basis financial statements. This practice aid is divided into two sections. Section One provides non-authoritative, practical guidance on preparing and reporting on cash- and tax-basis financial statements. The other section includes example financial statements, disclosures and other engagement practice aids. The appendix provides an example checklist to be used for cash- and tax-basis financial statements. Price: \$45 member, \$56 non-member.

***TValue*** (No. 016544HSCLD1), developed by Time Value Software, will take your financial skills to new levels. This software program will help you solve virtually any problem involving time and money. TValue calculates the value, payment amount, term or interest rate for any loan, lease or annuity. The program handles "what-if" calculations and prints comprehensive amortization schedules that can be exported to your favorite spreadsheet and word processing programs. Price: \$99 member, \$149 non-member.

***The Communication Advantage: How to Effectively Share Information With Clients and Employees*** (No. 090449CLD1) gives you proven, practical and easy-to-use methods for beefing up your communication skills. This new guide tackles personal communication, firm communication and even how to get clients and prospects to effectively communicate their needs. Each section, written by an expert in the field, gives you step-by-step instruction on identifying the communication gaps and instruction on improving, developing and implementing plans to close those gaps. Find out how effective means of communication can attract and retain new business. Price: \$32.95 member, \$41.95 non-member.

**To order, write: AICPA Member Satisfaction Team, CLD1, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m.); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Prices do not include shipping and handling. Have membership number ready.**

## AICPA and BAI Partner to Offer Conference on FASB Statement on Derivatives

For the first time, the AICPA is partnering with BAI to bring members an extensive conference on one of the most controversial pronouncements to date issued by the Financial Accounting Standards Board—Statement 133, *Accounting for Derivative Instruments and Hedging Activities*. **Understanding and Implementing SFAS No. 133—A Comprehensive Course for Bankers and CPAs** is a two-day conference that will take place on

two occasions at different locations.

BAI and the AICPA recognized the complexity of this statement and the short window banks have to implement it and joined forces to produce the ultimate conference for bankers and CPAs covering the implementation of SFAS No. 133.

On Apr. 15–16, the conference will be held at the Grand Hyatt in Washington, D.C. On Apr. 26–27, it will be held at the Holiday Inn Mart Plaza in Chicago. Recommended CPE credit: 16 hours. For more information or to register, call 888/777-7077.

now  
available

conferences

continued from page 1 — Social Security

The Dec. 7 press conference was held the day before the start of the White House Summit on Social Security (in which the AICPA was represented), making the study a timely resource for summit participants and legislators. Copies of the study have been distributed to all members of Congress, key congressional and administration staff, key policy makers and state

CPA societies. AICPA Federal Key Persons will be distributing copies to the district offices of members of Congress.

Many trade and national media outlets attended the press briefing, which was broadcast live by C-SPAN. Wire services, such as Scripps Howard, Reuters, Bloomberg TV, Knight Ridder, Cox and Newhouse News, also were there.

The Institute collaborated over two years

with a group of leading CPAs, tax specialists and economic analysts to develop the study. For a copy of *Understanding Social Security: The Issues and Alternatives*, go to [www.aicpa.org/members/socsec.htm](http://www.aicpa.org/members/socsec.htm). You can order a bound, printed copy (No. 061059CLD1; price: \$9.95 member, \$12.45 non-member) from either the Web site or the Member Satisfaction Center (see page 6).

### Department of Labor Issues Final Rule Enforcing GAAP for Multi-employer Health and Welfare Benefit Plans

The Department of Labor's Pension and Welfare Benefits Administration announced Nov. 24, 1998, that annual reports of multi-employer health and welfare benefit plans filed for plan years beginning on or after Jan. 1, 2000, will be subject to DOL rejection if there is any material audit opinion qualification because of noncompliance with the provisions of Statement of Position 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*. SOP 92-6 requires health and welfare benefit plans, including multi-employer plans, to calculate and report post-retirement obligations.

Under the PWBA's proposed non-enforcement policy, health and welfare plan annual reports would not have been rejected if the accountant's opinion accompanying the report was "qualified" or "adverse" because of the plan's failure to account for and report post-retirement benefit obligations or otherwise was affected by or reflected noncompliance with the financial statement disclosure

regulatory matters

requirements of SOP 92-6. The proposed enforcement policy was made available to plans on an interim basis for the 1996-1998 plan years to provide time for consideration of public comments on the proposal. In an effort to provide multi-employer plans with adequate time to comply with the provisions of SOP 92-6, the PWBA has extended the enforcement policy to cover 1999 plan years.

The AICPA is on record opposing the DOL's non-enforcement policy for multi-employer health and welfare benefit plans that did not adopt the provisions under SOP 92-6. A copy of the AICPA's response to the DOL's request for comments on its multi-employer plan non-enforcement policy can be located on the AICPA's Web site at [www.aicpa.org](http://www.aicpa.org).

For more information about the non-enforcement policy final notice, write: Eric A. Raps, Office of Regulations and Interpretations, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington D.C. 20210, or call 202/219-8515.

Two new products are being introduced on compilation and review engagements, both from author Dan M. Guy, formerly AICPA vice president of professional standards and services. *The AICPA's 1998 Audit and Attestation Videocourse with Dan Guy* (No. 186060CLD1) provides Guy's expertise on auditing, attestation, compilation and review, and other professional standards in this comprehensive resource. Recommended CPE credit: 8 hours. Price: \$129 member, \$161 non-member; additional manual (No. 356060CLD1) \$40 member, \$50 non-member.

*Compilation and Review Engagements—An Introduction* (No. 736660CLD1) provides a keen understanding of all areas of compilation and review. Emphasis is placed on the requirements and applications of the statements for accounting and review services nos. 1-7. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member.

CPE news

**Yellow Book Requirement.** Order all three courses by Jan. 30 and take 15% off your total order.

- Single Audit Requirements for Nonprofit and Governmental Organizations—Revised (No. 734102CLD1). Level: basic. Format: text. Recommended CPE credit: 10 hours. Price: \$129 member, \$161 non-member.
- Solving Complex Single Audit Issues for Government and Nonprofit Organizations. Level: intermediate. Format: text or video. For text (No. 734401CLD1), 10 hours recommended CPE credit, price: \$119 member, \$149 non-member. For video (No. 184400CLD1), 11 hours recommended CPE credit, price: \$149 member \$186 non-member.
- Subrecipient Monitoring (No. 734545CLD1). Level: advanced. Format: text. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member.

Order these products from the Member Satisfaction Team (page 6).

### New Ethics Interpretation on Alternative Practice Structures Adopted

The Professional Ethics Executive Committee has adopted a new ethics interpretation under Rule 101-Independence, *The Effect of Alternative Practice Structures on the Applicability of Independence Rules*. The interpretation will be effective the last day of the month that it is published in the *Journal of Accountancy* (it is expected to

appear in the Feb. issue). To obtain a draft of the interpretation, visit the AICPA Professional Ethics Division home page at [www.aicpa.org/members/div/ethics/index.htm](http://www.aicpa.org/members/div/ethics/index.htm).



Ethics Hotline, 888/777-7077

## AICPA Identifies Top 10 Technology Issues of 1999

The AICPA's annual top 10 technologies list is a way to spotlight key technologies that are impacting CPAs. Each year, CPA technology experts vote on the technologies they feel need to be watched and the ones that will have the most impact on our profession and our businesses during the next 12 months.

Topping this year's list is the **Year 2000 Issue**, the so-called "millennium bug" that may cause computers to read "00" as 1900 instead of 2000. Second on the list is **Internet issues**, in particular privacy, information security and controls, the transfer of electronic funds and verifying the legitimacy of electronic transactions.

Following these top two were (3) **Information Security and Controls**; (4) **Training and Technology Competency**; (5) **Technology Management and Budgeting** (its first year in the top 10); (6) **Disaster Recovery**; (7) **Virtual Office**; (8) **Privacy**; (9) **Electronic Money** and (10) **Electronic Evidence**.

The AICPA is committed to bringing you quality information about these technology topics. This year, the AICPA is launching a new Web site dedicated to the top technologies ([www.TopTenTechs.com](http://www.TopTenTechs.com)). It will be updated with information from numerous authors throughout the year. Like last year, the AICPA also produced a video on technology trends and opportunities for CPAs, titled **1999 AICPA Top 10 Technology Opportunities** (No. 889571CLD1). One free copy of the video may be obtained for \$7.25 in shipping and handling charges (an

additional copy costs \$6.50 member, \$8 non-member plus S&H) from the Member Satisfaction Center (see page 6).

### Raising Awareness of Profession's Top 10 List

To help raise the public's awareness of CPAs as technology advisers, this year the Communications and Information Technology teams developed a video news release focusing on those Top Ten Technology Issues most important to consumers, including the y2k issue, the safety of online transactions (with a reference to *CPA WebTrust™*) and privacy on the Internet. Featured in the VNR were Sandi Smith, a member of the Information Technology Research Committee; Mike Harnish, a member of the Business and Industry Executive Committee; and Ev Johnson, a member of the Assurance Services Executive Committee. The VNR tape was distributed to more than 300 television stations and made available via satellite to TV stations around the country. In addition, an article that publications can reprint which highlights the Top 10 list for consumers was prepared and distributed to every daily, weekly and monthly newspaper in the country.

As in previous years, a press release promoting the list was sent to all business media.

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# The CPA Letter

**AICPA**

## Competency Self-Assessment Tool on Web Site; Revamping of CPE Begins

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Vision Project Creates New Focus for Rochester CPA and Firm .....

**This edition of *The CPA Letter* is a combined issue for the months of Feb. and Mar. The newsletter will next be published in Apr.**

Years of evaluation and discussion about how to make continuing education more meaningful and relevant for CPAs have now borne fruit with the Jan. 28 launch of the AICPA Competency Model for the New Finance Professional (the Industry Model) on the Web site. This online self-assessment tool is the first of its kind, with other models for other disciplines to follow. In essence, the tool will enable CPAs to find out where they are in terms of the knowledge and skills they currently have to perform their jobs and to see what knowledge and skills they need to acquire to position themselves for future success. It also will assist them in preparing individualized learning plans and in measuring whether the programs of learning helped the CPA achieve the desired level of competency.

Achieving more useful CPE can best be found in an outcome-based environment that identifies the competencies that are relevant to the types of services offered by the CPA and assists the CPA in proficiency in those competencies. The Industry Model includes competencies under the four broad categories of personal attributes, leadership qualities, broad business perspective, and functional expertise and their related competencies and skills. This CPE model moves away from one that is based on "inputs" measured using a

50-minute "contact hour" (how long did you sit?) to an outcome-based approach focused on assessment and measurement (did you learn and was it relevant?).

Efforts are under way to modify the existing CPE standards to allow for an "output-based" model for CPE (currently the CPE model is based on hourly credits with specified courses or credits in certain topics required for compliance). The AICPA Special Committee on CPE Standards, whose "Report on CPE Measurement" served as the basis for this revamping of CPE, is working with the National Association of State Boards of Accountancy toward the transformation. It represents another step in achieving widespread change in how CPE is defined, attained, measured, and reported, and it may take some time for this process to be completely in place.

Members are encouraged to go through the Industry Model, even if they are not in industry so they can see what is meant by this reengineered CPE system. Members with questions about the competency assessment tool or the status of the competency-based learning initiative should e-mail [comptool@aicpa.org](mailto:comptool@aicpa.org).



[www.aicpa.org](http://www.aicpa.org)

## AICPA Publishes Revenue Recognition Guidance

In Jan., the AICPA published *Audit Issues in Revenue Recognition* on its Web site ([www.aicpa.org](http://www.aicpa.org)). The publication contains authoritative and non-authoritative auditing guidance to help auditors identify and respond to warning signals of improper revenue recognition. It focuses on issues related to the sale of goods and services in the ordinary course of business. The publication also discusses:

- Management's responsibility to report revenues accurately.
- Selected accounting standards applicable to revenue recognition.

The publication is one of several AICPA activities that mirror recent Securities and Exchange Commission initiatives to address "earnings management" practices that threaten the integrity of the financial reporting process (*The CPA Letter*, Nov. 1998).

## Comments Sought on Role of Essay Questions and Problems in CPA Exam

The Board of Examiners has released a discussion memorandum, "The Role of Essay Questions and Problems in the Uniform CPA Examination." This document has three purposes:

- To provide interested parties with a look at the major questions and findings regarding essay questions and problems on the CPA exam.
- To elicit comments from interested parties.
- To request that boards of accountancy defer action on the inclusion or exclusion of essay questions and problems from the CPA exam until all relevant facts have been aired and discussed.

A copy of the discussion memorandum can be downloaded from the AICPA's Web site at [www.aicpa.org/exams](http://www.aicpa.org/exams). Information on commenting is included in the discussion memorandum. Comments are requested by May 3.

## SEC Proposes Overhaul of Securities Registration Process

The SEC has proposed an overhaul of how securities are registered under the Securities Act of 1933 that would also impact certain periodic reporting requirements under the Securities Exchange Act of 1934. The release, known as the "aircraft carrier" proposal because of the breadth of its potential impact, includes the following proposed new rules on five major topics: registration system reform; communications around the time of an offering; prospectus delivery requirements; integration of private and public offerings; and periodic reporting under the Securities Exchange Act of 1934. The AICPA's SEC Regulations Committee will develop comments on the proposal, which are due Apr. 5. A copy of the proposed regulation can be found on the SEC's Web site at [www.sec.gov/rules/propridx.htm](http://www.sec.gov/rules/propridx.htm) (Release

33-7606) or in the Dec. 4, 1998, *Federal Register*.

## Nominations Sought for Outstanding CPA in Government Award

Nominations are now being accepted for the 1999 Outstanding CPA in Government Award. The award was created to recognize the achievements of individual CPAs employed in government and to promote the CPA designation as the premier professional credential for accounting, auditing, and finance professionals in government. The award will be presented at the AICPA's 1999 Annual National Governmental Accounting and Auditing Update Conference. Nominations must be received by Apr. 1. Nomination instructions are posted on the AICPA Fax Hotline and Web site.



201/938-3787, document no. 310



[www.aicpa.org/members/div/cpagov/award.htm](http://www.aicpa.org/members/div/cpagov/award.htm)



Joy Rothwell, 202/434-9213



[jrothwell@aicpa.org](mailto:jrothwell@aicpa.org)

## Ethics Forum to Be Held in April

The AICPA, AAA and NASBA are co-sponsoring an Ethics Forum, "Ethics Under Stress—Professional Ethics in the 21st Century." The program will bring together speakers from government agencies (SEC, ISB and state boards of accountancy), academia, industry and public practice. The forum will focus on the challenges facing the accounting profession, including new and non-traditional services offered by accounting firms, globalization and alternative practice structures. The Ethics Forum will be held on Apr. 23 at the Hyatt Regency in Arlington, Va. For more information, contact Lisa Snyder, director-professional ethics, at

201/938-3779, or e-mail [lsnyder@aicpa.org](mailto:lsnyder@aicpa.org).

## SEC Seeks CPAs

The Division of Corporation Finance of the Securities and Exchange Commission has openings for CPAs to work in a fast-paced, challenging environment. Work on hot IPOs, change accounting standards and practices, and interact with the top professionals in the securities industry. Responsibilities include examining financial statements in public filings and finding solutions to the most difficult and controversial accounting issues. A minimum of 3 years' experience in a public accounting firm or public company dealing with SEC reporting is required. Salary range: \$49,760-\$75,309. For information, call 202/942-2960.

## CPA Letter Supplements Available

To obtain any of the member-segment supplements (noted in *italic*) produced this month with *The CPA Letter*:



Dial 201/938-3787 and key in document no.: *large firms*, 1550; *medium firms*, 1551; *small firms*, 1552; *business & industry*, 1553; *finance & accounting*, 1554; *internal audit*, 1555; *government*, 1556; and *education*, 1557



[www.aicpa.org](http://www.aicpa.org)

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting Standards Executive Committee:** Mar. 9-10, New York

**Auditing Standards Board:** Feb. 9-11, San Diego; Apr. 14-15, New York

**Professional Ethics Executive Committee:** Feb. 18-19, Ft. Lauderdale

### Other Meetings

**Peer Review Board:** Apr. 26-27, New York



## FASB Concludes Deliberations on Stock Compensation Issues

The Financial Accounting Standards Board has concluded its initial review of practice problems associated with APB Opinion 25 on accounting for stock issued to employees. The board will issue an exposure draft of a proposal interpreting the opinion during this quarter. The proposed effective date would be the issuance date of the final interpretation (expected to be in Sept.).

If adopted, the interpretation would be applied prospectively but would cover events that occurred after Dec. 15, 1998. There would be no effect on financial statements for the period prior to the effective date of the final interpretation.

The proposal will focus on several practice issues that have been identified by constituents as needing clarification by the FASB. The most significant of the issues to be addressed are the accounting for re-priced options, non-compensatory "Section 423" plans with look-back options, a subsidiary's accounting for parent-company stock issued to the subsidiary's employees, and the definition of "employee" for purposes of applying Opinion 25.

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- On those issues, the board has tentatively concluded that:
- Once an option is re-priced, that option must be accounted for as a variable plan, giving rise to compensation expense for subsequent changes in the stock price, from the time it is re-priced to the time it is exercised.
  - Plans with a look-back option are not, in and of themselves, compensatory plans.
  - If parent-company stock issued to employees of a subsidiary is accounted for under Opinion 25 on a consolidated basis, then a subsidiary may account for parent-company stock issued to its employees under Opinion 25 in their separately issued financial statements, provided that the subsidiary is part of the parent company's consolidated financial statements.
  - For purposes of applying Opinion 25, the definition of "employee" would be the common-law definition, which is also the basis for the distinction between employees and non-employees in U.S. tax law.

A discussion of the decision the board has made is available at:



[www.fasb.org](http://www.fasb.org)

## CPE Courses to Help Members with Tax Season

**The AICPA Experts' Taxpayer Confidentiality Privilege Videocourse.** Author: Mark H. Ely, CPA. Complete videocourse: (No. 183500CLD2), \$89 member, \$107 non-member; additional manual (No. 353500CLD2), \$40 member, \$50 non-member. CPE credit: 8 hours.

**The AICPA Experts' IRS Restructuring and Reform Act of 1998 Videocourse.** Author: Sidney Kess, CPA, JD, LL.M. Complete videocourse + RIA Text (No. 188100CLD2), \$99 member; \$119 non-member; additional manual + RIA Text (No. 358100CLD2), \$70 member, \$75 non-member; additional manual (No. 188105CLD2), \$30 member, \$40 non-member. CPE credit: 4 hours.

**1998-99 AICPA Guide to Solving Advanced 1040 Problems-Parts I and II.** Author: Melvyn Powolsky, JD, CPA. Part I: 3 Audiocassettes + Workbook (No. 754014CLD2), \$119 member, \$149 non-member; additional workbook (No. 754015CLD2), \$79 member, \$99 non-member.

Part II: 3 Audiocassettes + Workbook (No. 754034CLD2), \$119 member, \$149 non-member; additional workbook (No. 754035CLD2), \$79 member, \$99 non-member.

Parts I & II: 6 Audiocassettes + 2 Workbooks (No. 754054CLD2), \$159 member, \$199 non-member; 2 additional workbooks (No. 754055CLD2), \$89 member, \$111 non-member. CPE credit: 12 hours (each part).

**The Family Limited Partnership and Beyond: Saving Taxes and Protecting Clients.** Author: Martin A. Goldberg, Esq. Text (No. 734444CLD2), \$119 member, \$149 non-member. CPE credit: 8 hours.

tax  
info

**Fundamentals of Estate and Gift Taxation Simplified.** Author: Caroline D. Strobel, Ph.D., CPA. Text (No. 732060CLD2), \$119 member, \$149 non-member. CPE credit: 8 hours.

**Getting the IRS Off Your Client's Back: Installment Agreements, Offers in Compromise, Bankruptcy and Other Strategies.** Author: Allen Brown, Esq. Text (No. 735860CLD2), \$119 member, \$149 non-member. CD-ROM (No. 738100CLD2), \$129 member, \$161 non-member. CPE credit: 8 hours.

**Offshore Asset Protection: Tax Planning Strategies for Your Clients.** Author: Alan R. Eber, Esq. Text (No. 730510CLD2), \$119 member, \$149 non-member. CPE credit: 8 hours.

**Solid Tax Planning Tips for Self-Employed Clients.** Author: Joseph R. Oliver, CPA, Ph.D. Text (No. 732110CLD2), \$119 member, \$149 non-member. CPE credit: 8 hours.

**Today's Corporate Tax Management Issues for CPAs in Industry.** Author: Joseph R. Oliver, CPA, Ph.D. Text (No. 732100CLD2), \$119 member, \$149 non-member. CPE credit: 8 hours.

All CPE products may be ordered through the Member Satisfaction Center (see page 6).

**Short-Term Discount of Up to 35% Offered on CPE Self-Study Courses**

Get up to 35% off selected AICPA self-study products from Feb. 15 through Apr. 15. Watch your mail for details on this limited-time offer. Call 888/777-7077 for information and to place orders.





By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

## Chair's corner

In last month's issue of *The CPA Letter*, the AICPA's recently created National Accreditation Commission was introduced. This commission was formed as a result of recommendations made by the AICPA's Special Committee on Accreditation of Specialization, which was formed in 1997 to take a fresh look at the accreditation of specializations within the AICPA. In light of its importance to all of us, I want to describe the history and the future of this issue in a bit more detail.

We have experienced tremendous change in our profession over the past few years, and CPAs continue to migrate their practices toward the delivery of non-traditional services. Recent statistics for CPAs in public accounting indicate that over the last five years, audit/accounting revenues have decreased from 52% to 36% and tax revenues have decreased from 24% to 20%. At the same time, consulting revenues have increased from 23% to 28% and revenues generated from services identified as "other" have increased from less than 1% to 16%. In addition, about 140,000 or 43% of AICPA members are now employed in business and industry, and they are experiencing a similar shift as they are being asked to fill new, non-traditional roles. As the knowledge and information available to businesses continues to expand, consulting and information services will become an ever-increasing part of each practice and employment setting.

Specialization is essential if we are going to effectively deal with the ever-

increasing body of knowledge and if we are going to meet the needs of our clients and employers. For instance, some knowledge experts believe that the body of knowledge that exists in today's world represents only 1% of the body of knowledge that will exist by the middle of the next century. As the body of knowledge grows, fields of expertise naturally evolve into ever-narrower slices. This trend has been developing within the CPA profession for a number of years.

During the course of the CPA Vision Project, participants identified specialization as one of the profession's top five issues, concluding that, "Specialization is critical for the future of the CPA profession." After more than a year of work and study, the Special Committee's report reached a similar conclusion, saying, "Recognition of specialties is a prerequisite to broadening the scope of the profession and maintaining its viability in the face of increasing competition from other related professional groups."


At the end of the work of the Special Committee, they recommended a process for formally identifying, recognizing, advocating and supporting new areas of specialization that warrant an accreditation program, which included establishing the National Accreditation Commission to champion this process. These recommendations were approved by the AICPA Board of Directors and governing Council in 1998. Hence, a new senior committee has emerged, and the work has begun.

The National Accreditation Commission was formed in late 1998 and has already held three meetings. It is chaired by Dom Tarantino, a past chair of the AICPA's board, and is made up of members from all segments of the profession. The NAC will seek to identify accreditations that will respond to market needs, and create an identity for and communicate the competence of CPA-provided specialized services. They will consider accreditations for all member segments—public accounting as well as business and industry.

The NAC's decision to accredit a particular specialty will be a function of a market-driven analysis, using a formal "screening process." The NAC will con-

sider not only new and emerging services, but also existing services if the public does not recognize any service provider, including CPAs, as a preeminent service provider and no other market-leading designation exists. The decision process will also consider the size of the potential market, the economic benefit to CPAs and timing relative to competition.

The work of the commission is a very high priority and of great importance to us all. I look forward to keeping you informed of substantive developments of their work during the coming year. I am excited that we are taking the lead in shaping our future.

 okirtley@vacorp.com

## Social Security Recipients Making Quarterly Estimated Payments Can Now Have Taxes Withheld

Congress passed an amendment to the Social Security Act that enables recipients of Social Security Retirement, Survivors and Disability benefits who presently make quarterly estimated tax payments on their benefits to have their taxes withheld from their federal benefit payments. A signed IRS Form W-4V (Voluntary Withholding Request) is required for a voluntary withholding request to be valid. To obtain W-4V forms from the IRS, call 800/829-3676.

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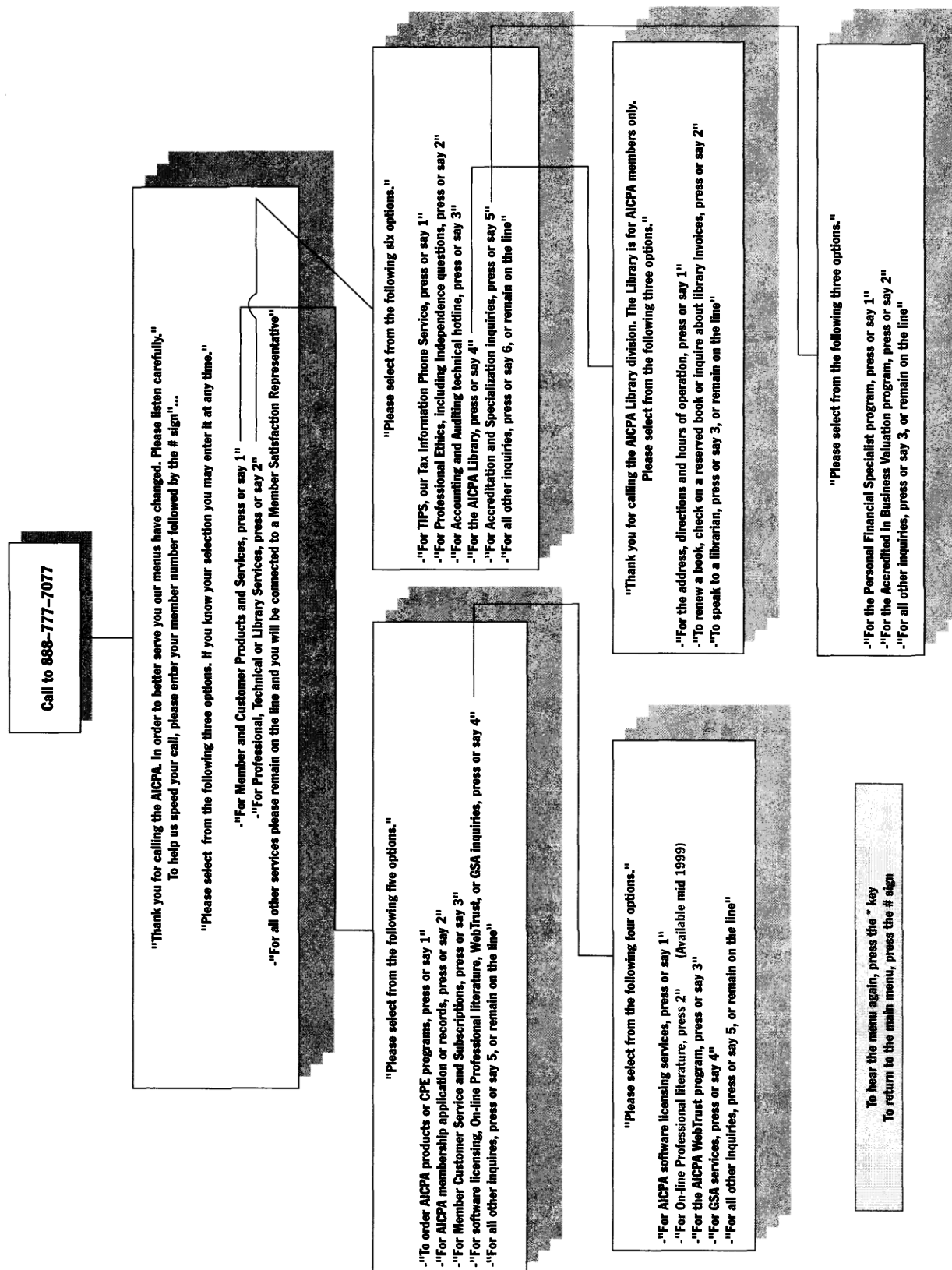


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# AICPA One-Stop Shopping Telephone Menu

The AICPA recently changed its toll-free telephone menu to make it easier and more efficient for members to direct their calls. To help facilitate and encourage use of this service, we are providing the flowchart below.



## Highlights of AICPA Board of Directors' December Meeting

Among other actions at its Dec. 10–11, 1998, meeting, the AICPA Board of Directors:

- Had an extensive discussion on the compilation issue related to the new Florida law (*The CPA Letter*, Dec. 1998). The discussion included a detailed review of various AICPA options for action. In addition, the board heard presentations by three state CPA societies on their positions regarding the issue. The subject will receive more discussion at the board meeting in Feb. and at the regional meetings of Council in Mar.
- Unanimously approved three technical changes to the proposed *Uniform Accountancy Act* as recommended by the AICPA and the National Association of State Boards of Accountancy

committees. Those changes clarify the UAA's intent to continue to allow non-licensee practitioners to prepare and issue non-SSARS financial statements and to modify the safe-harbor language.

- Approved the criteria developed by a special task force for designating the Federal Accounting Standards Advisory Board as the standard-setting body for financial reporting by the U.S. federal government under AICPA Code of Conduct Rule 203. Recognition under Rule 203 requires approval by Council.
- Unanimously passed a resolution recognizing the contributions of the Utah Association of CPAs and its staff to the CPA Vision Project, including that of its executive director, Jeannie Patton, who served as director of the visioning process; former president Mary Kay Griffin; current president Ken Cutler; and president-elect Bryce Olson.

**UPDATED—Accounting Trends and Techniques** (No. 009890CLD2) contains significant accounting presentations, discussions and trends. Learn the most current terminology and explanatory language used in auditors' reports. Price: \$79 member, \$99 non-member. *Accounting Trends & Techniques* (No. 009905CLD2) is also available on CD-ROM. Price: \$79 member, \$99 non-member.

**NEW—Make Audits Pay—Leveraging the Audit into Consulting** (No. 006704CLD2) will help you turn your auditing practice into an auditing/consulting practice. This new hands-on publication covers all the bases and answers your questions by providing a step-by-step, practical method to assist you in the transition. Each chapter contains many ideas and concepts, case studies and implementation suggestions. Also included is a diskette with evaluation forms, checklists and diagnostic tools for each chapter. Price: \$40 member, \$50 non-member.

**Mergers & Acquisitions of CPA Firms** (No. 090441CLD2) is a dynamic guide that can help to dramatically grow your CPA firm. Mergers and acquisitions can lead to improved staff retention, increased employee motivation, and even greater owner income. Based on his years of experience as both a managing partner and M&A consultant, author Nicholas J. Mastracchio explains the advantages and disadvantages of mergers and acquisitions. Then, he takes you step by step through the entire merger or acquisitions process. The guide includes three case studies to give you a real-world perspective on how the whole process works. Price: \$39 member, \$49 non-member.

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**UPDATED—TaxInterest Software** (No. 016566HSCLD2) makes figuring penalties and interest easy. Just enter the tax and payment amounts and let *TaxInterest* do the work. Now you can quickly check the numbers on an IRS notice. Or you can determine the correct amount due with a late return or settlement. Here are a few of the many unique features in this package: calculations for old years and multiple year deficiencies; negligence, fraud and accuracy penalties; GATT and "Hot" interest rates; and multiple payments and payment allocation. Rates and methods are included for over 35 states; the ability to update interest rates and create custom tables for additional states, cities, etc. is also included. Price: \$99 member, \$129 non-member.

**UPDATED—Tax941 Software** (No. 016565HSCLD2) stops IRS problems before they start. With *Tax941*, in less than 5 minutes you can prepare, print and check your form—before you sign or file it. *Tax941* prints ready-to-file 941, 940, 943 and 945 forms, predicts deposit due dates and verifies IRS penalties. *Tax941* automatically calculates: 2%, 5%, 10% and 15% penalties; 5% late filing penalty; 0.5% and 1% late payment penalty; and IRS interest. Price: \$79 member, \$99 non-member.

**To order, write:** AICPA Member Satisfaction Team, CLD2, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). **Prices do not include shipping and handling. Have membership number ready.**

Two new conferences are being introduced this summer. The AICPA and the California CPA Education Foundation present the **National Restaurant and Bars Conference**, which addresses the complex financial needs, industry trends and latest developments of the restaurant and bar industry. Geared toward CPAs in public practice with restaurant and bar clients and those who work in the industry as owners or in financial capacities. Date and place: June 14-15 at the Regal Biltmore

Hotel in Los Angeles. Recommended CPE credit: 16 hours.

The **1999 AICPA Controllers Workshop** will be held July 15-16 at Ceasars Palace in Las Vegas. At this workshop, controllers will discover multiple solutions to difficult issues as well as make contacts to help facilitate problem solving down the road. Recommended CPE credit: 15 hours.

To receive brochures on these conferences or to register, call 888/777-7077.

conferences

## IFAC Recognizes Outstanding Management Accounting Articles

The International Federation of Accountants has published a collection of award-winning international articles on financial and management accounting topics entitled *Articles of Merit—1998 Competition*. Ten meritorious articles featured in the publication were selected as part of IFAC's Financial and Management Accounting Article Award Program for Distinguished Contribution to Management Accounting. An independent panel of judges selected "Beyond Budgeting...Breaking Through the Barrier to 'the Third Wave'"

as the winning article in the competition. The third wave is considered the information age (the second was the industrial age).

Other articles in the collection focus on applying the balanced scorecard, managing for quality, Activity Based Management, the new finance function, and contribution-based activity.

To obtain a copy of the booklet, download it from the IFAC Web site or call IFAC's offices.



www.ifac.org



212/286-9344

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of a final judgment of conviction for a crime punishable by imprisonment for more than one year:

- Lawrence P. Siegel of San Diego, effective Sept. 30, 1998, after pleading guilty to income tax evasion and subscribing a false tax return.

—*Terminated*, effective Oct. 9, 1998, following the denial by an ad hoc committee of the Joint Trial Board that the automatic disciplinary action not apply to their circumstances:

- George Michael Parrott of Nashville, Tenn., after pleading guilty to filing a false tax return.
- Harry Joseph Newman of Covington, Va., after pleading guilty to filing a false tax return.

—*Suspended* pending the outcome of his appeal:

- Abraham E. Bell of St. Louis, effective July 17, 1998, after having been found guilty of aiding and assisting in the preparation of false income tax returns, and conspiracy to defraud the United States.

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

—*Terminated*:

- Monte S. Colbert of Merrick, N.Y., effective Nov. 14, 1998, for violating Rules 101 - Independence, 102 - Integrity and Objectivity, and 503 - Commissions and Referral Fees of the AICPA Code of Professional Conduct in connection with his audits of a broker-dealer for the years ended Dec. 31, 1991, through 1993, and his receipt of commissions from this entity.
- Mark M. Stinson of Augusta, Maine, effective Nov. 14, 1998, for violating Rule 501 - Acts Discreditable of the AICPA Code of Professional Conduct for misappropriating funds from an entity while serving as its treasurer.
- Michael Gradess III of Merchantville, N.J., effective Nov. 15, 1998, for violating AICPA Bylaw 7.4.6 by failing to show evidence of compliance with the directives of a settlement agreement that he entered into with the AICPA Professional Ethics Executive Committee.
- James Hardaway Jr., of Lynwood, Ill., effective Nov. 30, 1998, for violating AICPA Rules of Conduct 201(B) - Due Professional Care and 202 - Compliance with Standards in connection with his audit of the financial statements of a not-for-profit organization.

## disciplinary actions

- Lee S. Martineau of Minnetonka, Minn., effective Nov. 30, 1998, for violating AICPA Bylaw 7.4.6 by failing to show evidence that he complied with the directives of a letter of required corrective action.

- Donald B. Gehringer of Glendale, Ariz., effective Dec. 6, 1998, for violating AICPA Bylaw 7.4.6 by failing to respond to requests for additional information from the AICPA's Professional Ethics Division in its attempt to investigate his alleged misconduct.

—*Admonished*:

- John P. Riccetti of Shavertown, Pa., effective Nov. 14, 1998, for violating Rule 101—Independence of the AICPA Code of Professional Conduct in connection with professional services he performed for a review client.
- Fred L. Gonser of Macon, Ga., effective Dec. 6, 1998, for violating AICPA Bylaw 7.4.6 by failing to respond to requests for information from the AICPA's Professional Ethics Division in its attempt to investigate his alleged misconduct. He was directed to cooperate with the AICPA's Professional Ethics Division within 30 days of the effective date of the hearing or be referred back to the Joint Trial Board with a recommendation that his membership in the AICPA be terminated.

—*Suspended*:

- James M. Ruff of Willmar, Minn., effective Nov. 30, 1998, for three months for violating Rule 501 - Acts Discreditable of the AICPA Code of Professional Conduct by failing to timely file his individual income tax returns for a five-year period. He was directed to successfully complete 7 hours of specified CPE.
- Joseph C. Becker of Harris County, Texas, effective Dec. 6, 1998, for two years for violating Rule 501 - Acts Discreditable of the AICPA Code of Professional Conduct in connection with a felony offense.

As a result of an investigation of alleged violations of the Code of Professional Conduct of the AICPA, the following ethics case was resolved by settlement agreement under the Joint Ethics Enforcement Program:

- Richard Neil Brough of Afton, Wyo., settled charges on Dec. 18, 1998, of violating AICPA Bylaw 7.4.6 by failing to make a substantive response to interrogatories from the AICPA Professional Ethics Division. Without admitting or denying the charges, Mr. Brough agreed to be expelled from membership in the AICPA.

## Vision Project Creates New Focus for Rochester CPA and Firm

A job change in her mid-40s was not out of the question for Joyce Martelli, but a shift from a high-level position in a competitive industry back into public accounting was something she never considered. What changed Martelli's mind was a direct result of the CPA Vision Project; she felt the accounting profession finally realized that the CPA's role in business has expanded from number crunching, tax returns and accounting engagements, to being a viable partner and consultant in the marketplace.

Although she returned to public accounting after a 10-year absence, not only did Martelli make the successful transition, she returned to the firm she was with just prior to moving into industry, Heveron & Heveron, CPAs. The firm principal, John Heveron Jr., shared similar values and even had his own vision for both managing staff and delivering value-added services. For example, firm titles are replaced with a team approach, enabling, Martelli says, increased communications and trust.

A dynamic firm philosophy, along with the opportunity to marry her industry experience to assist a growing client base, became the dream job for her. A former Rochester chapter president, Martelli was asked to participate in Aug. 1997 in the initial Future Forums based on her industry and practice experience. In addition to understanding the expanding CPA role, she and Heveron have integrated the core values, services and competen-

cies from the Vision Project into the company's own strategic plan, a document that she says will not sit on a shelf, but instead, continually grow and expand.

"This is an exciting time for the profession because we are taking a tough look at how CPAs can excel in the marketplace and continually make changes in services to meet the needs of the future," she says. "Based on our independence and backgrounds, who better than the CPA to take the lead and persuade our clients and employers that the CPA can be just as good at newer services as at more traditional ones?"

For example, Martelli ensures that her not-for-profit clients interact on a regular basis so that the firm is positioned as a healthy complement to management, technology, human resources, financial concerns and

other issues. This concept is a direct result of the Vision Project, demonstrating her firm practices what it preaches.

"A relationship with any accounting firm should be viewed as an asset rather than an expense," Martelli adds. "We show them that our services are an investment in progressing their company and organizations—rather than an expense that cannot be recovered. Without spending this money and the time commitment, companies are going to have a difficult time in a very competitive environment. It is up to us to help them realize not only our worth, but what we contribute to them to make them succeed."

cpa vision  
project

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## AICPA

# The CPA Letter

## AICPA Restructures, Makes Significant Acquisition

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With life-long learning being one of the top five core values identified by the CPA Vision effort, the AICPA is restructuring its CPE operations to broaden and enhance its offerings to members through the acquisition of the Professional Development Institute's continuing education division. PDI is one of the nation's largest providers of CPE programs for CPAs, with a solid 20-year reputation for timeliness, customer responsiveness and overall service as well as strong existing relationships with the state CPA societies through which group-study programs are provided.

By acquiring the PDI business, the Institute will be able to strengthen the consulting and management course lines, moving CPE in the direction of market demands and higher-value services in line with the Vision. Another element of this new CPE model is the outsourcing of the bulk of the AICPA's printing needs to IKON Office Solutions, resulting in the capability of on-demand printing of course materials. Electronic files will be sent to the states which can then print the materials locally, saving on distribution and warehousing costs, while increasing our speed to market.

"As a result of this acquisition," said AICPA President and CEO Barry C. Melancon, "we'll be able to provide a single point of contact for state society customers, and improve our CPE ordering, billing and

customer service systems. We'll also provide direct sales to public accounting firms and corporate accounting departments for their in-house training programs."

To accomplish these developments, a new AICPA/PDI unit will be created and operate out of PDI's current Denton, Texas, location. Dr. Paden Neeley, president of PDI, will be appointed AICPA Vice President-CPE Group Study and will report to Charles M. Peck, Senior Vice President-Marketing, Product and Organizational Development. Other PDI senior staff members will be joining the AICPA staff as well. The AICPA's New York and New Jersey offices will retain responsibility for self-study marketing, conferences, development of new Vision-aligned products, and in-house sales to CPA firms and corporate clients.

Cost savings gained from economies in development, printing and distribution will be directed to continuing the Vision Process, which is vital to the repositioning of the profession. The AICPA's commitment to continuing professional development was also demonstrated by its recently announced (*The CPA Letter*, Jan.) acquisition of Practitioners Publishing Company's seminar business series to expand tax offerings and other programs to help CPAs compete against related financial service providers.

## 50 CPAs Field Questions During USA Today Tax Hotline

A rousing "thank you" to the 50 CPAs who answered tax questions from 1,393 *USA Today* readers during the newspaper's annual tax hotline on Mar. 4. The hottest topics this year included the Roth IRA, the new education credits and rules covering home sale gains and estate and gift taxes. The resulting front-page coverage in the next day's paper splendidly showcased the CPA profession in a

publication that is read by more than two million Americans each day.

The AICPA coordinates staffing of the hotline. This year, CPAs traveled at their own expense from Ariz., Ind., Pa., N.J. and N.Y. to the paper's headquarters outside Washington, D.C. CPAs interested in volunteering for next year should contact Lynn Drake at 202/434-9214 or e-mail [ldrake@aicpa.org](mailto:ldrake@aicpa.org).

## Number of ABV Holders Climbs; Next Exam Nov. 1

The second Accredited in Business Valuation Exam was administered on Nov. 2, 1998. Of 440 candidates who sat for the eight-hour written exam, 329 credentials were awarded. A list of all 849 credential holders from the two exams given so far is available on the AICPA Web site at [www.aicpa.org](http://www.aicpa.org).

CPAs seeking to earn the ABV credential may obtain an information packet about the program (No. 055169CLD4; available without charge next month through the Member Satisfaction Center at 888/777-7077) that includes a candidate handbook, a program application and an experience affidavit. This same material will also be available from [www.aicpa.org](http://www.aicpa.org). The next exam is scheduled for Monday, Nov. 1, 1999. Information about the exam sites and the exam review course will be available this spring.

## AICPA Adds Affinity Provider for Postage Meters and Mailing Machines; Norwest Adds Program Enhancement


As one of the world's leading suppliers of postage meters and mailing machines, Francotyp-Postalia, Inc. provides systems for mailers who process anywhere from 10 to 10,000 pieces of mail per day. As an AICPA affinity partner, FP is offering Institute members a 10% discount on all FP products and has established a special 800 number dedicated to AICPA members. By calling 800/398-3886, AICPA members can receive a free needs analysis, ordering assistance and complete service "after the sale."


Norwest Mortgage, the AICPA's home mortgage affinity partner, is offering members a complimentary four-day "getaway" after closing on a home purchase or refinancing through the Institute's program (the

offer is not available on home equity loans and lines of credit). Call a mortgage counselor at 800/CPA-1210 weekdays, 8:00 a.m. to midnight, ET.

## Volunteers Needed for Best Practices Task Force

The AICPA Business and Industry Executive Committee is looking for volunteers to participate in a one-day brainstorming session to identify best practices for elements of financial management. The task force will consist of eight members, and the project is expected to be completed by June 30, 1999. The AICPA will provide meals and pay for travel expenses. If you would like to participate, or for more information, contact Hadassah Baum.

 212/596-6019

 [hbaum@aicpa.org](mailto:hbaum@aicpa.org)

## New and Revised Ethics Pronouncements Adopted

The Professional Ethics Executive Committee has adopted new and revised ethics pronouncements under Rules 101, 102, 302, 501 and 505. They will be effective the last day of the month that they are published in the *Journal of Accountancy* (they are expected to appear in the May issue). To obtain a draft of the pronouncements, visit the AICPA Web site at [www.aicpa.org/members/div/ethics/adopt.htm](http://www.aicpa.org/members/div/ethics/adopt.htm). Or, call the Ethics Hotline at 888/777-7077.

## Top Scorers of Nov. 1998 CPA Exam Announced


Cynthia F. Veinot of Norwalk, Conn., is the Gold Medal winner of the AICPA Elijah Watt Sells Award for achieving the


highest score on the Nov. 1998 Uniform CPA Examination. Approximately 63,000 candidates sat for that exam.

Earning the second highest score, the Silver Medal, was Charles A.P.N. Carslaw of Reno, Nev. The Bronze Medal for the third highest score went to Christopher D.H. Stauffer of Strassburg, Chihuahua Mexico.

## CPA Letter Supplements Available

To obtain any of the member-segment supplements (noted in *italic*) produced this month with *The CPA Letter*:

 Dial 201/938-3787 and key in document no.: *large firms*, 1558; *medium firms*, 1559; *small firms*, 1560; *business & industry*, 1561; *finance & accounting*, 1562; *internal audit*, 1563; *government*, 1564; and *education*, 1565

 [www.aicpa.org](http://www.aicpa.org)

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting & Review Services Committee:** Apr. 22-23, New York

**Accounting Standards Executive Committee:** Apr. 28-30, New York

**Auditing Standards Board:** Apr. 14-15, New York

**Professional Ethics Executive Committee:** May 20-21, New York

### Other Meetings

**Council:** May 2-5, Washington, D.C.

**Peer Review Board:** Apr. 26-27, New York



## Highlights of Board of Directors' February Meeting

Among other actions at its meeting on Feb. 11–12, the AICPA Board of Directors:

- Approved the signing of a letter of intent to acquire the continuing professional education division of the Professional Development Institute and move part of the CPE operations to Texas (see page 1).
- Approved funding to establish the Investment Advisory Services Center, which will create training, regulatory compliance and other programs (using internal resources and external partnerships) to enable CPAs who provide financial planning services to expand their practices to include investment advisory services.
- Received an update on the unfolding CPA Vision implementation efforts, including the Vision-to-Strategy Workshop in Jan. that served as a springboard for collaboration with the state CPA soci-

eties on strategies and outcomes. In addition, officers of the National Association of Black Accountants presented their major initiatives, and voiced their enthusiastic support of the Vision and their organization's commitment to align itself accordingly.

- Heard that *CPA WebTrust<sup>SM</sup>* was the only e-commerce security seal invited to make a presentation before a special U.S. congressional delegation at a meeting on e-commerce set up by a group of global high-technology companies in London.
- Was given an analysis of a new Florida law governing commissions and contingent fees. The new law allows licensed CPAs in that state to receive commissions or contingent fees by means of an engagement-based system (except for an attestation engagement) rather than a client-based one. Current AICPA rules allow for the acceptance of commissions and contingent fees for non-attest clients (a client-based system). The board expressed support for further discussion at the regional meetings of Council.

## Year 2000 Risk Management Resources Available

The AICPA Professional Liability Insurance Program has established a Y2k Resource Center to inform CPAs of the risks associated with the much talked about computer event. Available on the program's Web site, [www.cpai.com](http://www.cpai.com), the Resource Center features an extensive collection of articles and risk management strategies relating to the Year 2000 Issue. Hypothetical examples of Y2k-related claims originating from common practice engagements as well as their corresponding risk management considerations are presented.



Articles included on the site discuss:

- Engagement letters covering year 2000 assignments.
  - Risks inherent in providing clients with year 2000 assistance.
  - Effects of year 2000 on electronic data interchange.
  - Steps CPAs should consider undertaking to prepare their practices for the year 2000.

For quick access, visit [www.cpai.com/new/Y2Karticles/y2kindex.htm](http://www.cpai.com/new/Y2Karticles/y2kindex.htm) or call Aon Insurance Services, the Program Administrator, at 800/221-3023.

## New NAICS Codes Beneficial, Helpful to Profession

New codes have been created under the North American Industry Classification System, giving certified public accountants a specific code as well as separate codes for tax preparation services, payroll services and other accounting services. It is advantageous for any particular industry or profession to have its own code rather than being grouped with related industries in a collected code, as CPAs had been under the prior SIC codes system. The new coding system was developed by a committee of U.S., Canadian and Mexican authorities, while the SIC codes it

replaces had been developed only by the U.S.

As with the old SIC numbers, the new NAICS codes divide all businesses (e.g., agricultural, service, distribution, extractive, manufacturing, and retail) into separate categories. Companies use these codes when providing statistical information to banks, credit reporting agencies and others, and many other statistical compilers use them when gathering statistics from businesses nationwide to group industries and to publish summary statistics.

For more information, visit the NAICS' Web site:



[www.ntis.gov/naics](http://www.ntis.gov/naics)

## Revised Illustrative Representation Letter for SSARS Review Engagements Issued

The Accounting and Review Services Committee has revised the illustrative representation letter for review engagements performed under statements on standards for accounting and review services to reflect recently issued accounting standards. The revised letter has been posted on the AICPA Web site at [www.aicpa.org](http://www.aicpa.org) or can be obtained from the AICPA Fax Hotline (dial 201/938-3787 and key in document no. 470).



## SSAE No. 9 Amending SSAE Nos. 1, 2, and 3 Issued

The Auditing Standards Board has issued Statement on Standards for Attestation Engagements No. 9, *Amendments to SSAE Nos. 1, 2,*

*and 3* (No. 023027CLD4). While practitioners are still permitted to report on management's assertion, this SSAE provides the option

of reporting directly on the *subject matter* of the assertion; for example, the practitioner may opine directly on the effectiveness of the entity's internal control over financial reporting. The new standard also conforms the reporting guidance to include reporting elements similar to those in audit reports on historical financial statements, and provides guidance on the relationship between the SSAEs and the statements on quality control standards.

SSAE No. 9 is effective for attest reports issued on or after June 30, 1999. To obtain a copy, contact the Member Satisfaction Center (see page 6; price: \$8.50 member, \$10.50 non-member).



### FASB Issues Technical Corrections to Standards, Proposes When Entities Should Be Consolidated, Releases Q&A on Statement No. 125, Publishes Report on International Standard Setting

The Financial Accounting Standards Board has issued Statement No. 135, *Recission of FASB Statement 75 and Technical Corrections*. It is effective for financial statements for fiscal years ending after Feb. 15, 1999, with earlier application encouraged.

An exposure draft for the statement had included a proposed amendment to Statement No. 66 on real estate sales; however, the board decided to exclude that proposed amendment because of the complexity of some of the issues that were raised in comment letters. The board plans to address the issue separately.

In a recently issued exposure draft, *Consolidated Financial Statements: Purpose and Policy* (product code E149), the FASB proposes that businesses or not-for-profit organizations that control other entities include those subsidiaries in their consolidated financial statements. Written comments are due May 24. The proposed statement would be effective for financial statements for annual periods beginning after Dec. 15, 1999, and all interim periods in the year of adoption.

Also released was a second edition of a special report that addresses the most frequently asked questions about FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The report is designed as an aid to understanding and implementing the statement. This edition focuses on questions that affect a broad range of companies and financial institutions.

Citing its leadership responsibilities in the ongoing development of a set of high-quality international accounting standards that meet global market demands, the FASB has set forth its vision of the future of international standard setting, including evolution of the FASB's role in national and international standard setting. The report, titled "International Accounting Standard Setting: A Vision for the Future," is available from [www.fasb.org](http://www.fasb.org).

To obtain a copy of Statement No. 135 or the special report, contact the FASB Order Department at 203/847-0700, ext. 555, or e-mail [fasbpubs@fasb.org](mailto:fasbpubs@fasb.org). The statement and special report each costs \$12. The exposure draft is available without charge during its comment period or can be downloaded from [www.fasb.org](http://www.fasb.org).

### Tax Amnesty Program Announced in South Dakota

The governor of South Dakota recently announced that the state has implemented a tax amnesty program from Apr. 1 through May 15, 1999. At press time, the South Dakota Department of Revenue had not determined which taxes the program will include, but it will include sales/use taxes and the contractor's excise tax. (Note: South Dakota does not impose a general corporate income tax, but does impose an income tax on banks and financial corporations.) Taxpayers who have been audited or received audit notification are not eligible for the amnesty program.

### Annual Report of Ethics Division Investigation Activity

January 1 – December 31, 1998

January 1 – December 31, 1997

The following is a statistical report from the Professional Ethics Division of investigation activity for the years ended Dec. 31, 1998, and 1997. The AICPA and state CPA societies participate in the Joint Ethics Enforcement Program. This report includes investigations conducted by state societies resulting in findings of ethics code violations.

	<b>AICPA</b>	
	<b>Ethics Division</b>	
	<b>1998</b>	<b>1997</b>
<b>Investigations open at start of period:</b>		
Active	471	520
Deferred - Litigation	<u>157</u>	<u>174</u>
	628	694
Add: Investigations opened during period	<u>302</u>	<u>297</u>
	930	991
Less: Investigations closed during period	<u>296</u>	<u>363</u>
	<u>634</u>	<u>628</u>
<b>Investigations open at end of period:</b>		
Active	489	471
Deferred - Litigation	<u>145</u>	<u>157</u>
	<u>634</u>	<u>628</u>
<b>Summary of Disposition of Closed Cases*</b>		
Trial Board	14	21
Settlement with Publication	33	41
RCA Letter	64	78
Settlement without Publication	1	2
No Violation	74	125
Complaint Dismissed	41	39
Investigation Discontinued	15	4
Complied with Follow-up	45	38
Transfer/Return to State Society	—	6
Automatic Termination	6	9
No Jurisdiction	<u>3</u>	<u>0</u>
	<u>296</u>	<u>363</u>

\*Letters of required corrective action, settlement agreements and trial board decisions usually require respondents to attend certain CPE courses and thereafter submit examples of their work products for ethics division review. At Dec. 31, 1998, and 1997, there were, respectively, 161 and 179 case investigations being monitored for CPE attendance and follow-up review.

## Personal Financial Specialist Exam to Be Given June 18

Members interested in earning the Personal Financial Specialist designation can take the next computer-based exam on June 18 at one of more than 250 test sites nationwide. To obtain a free copy of the "PFS Candidates

Handbook" (No. G00055CLD4) in preparation for the exam, contact the Member Satisfaction Center (see page 6). Registrations for the exam must be received by May 21.

Presently there are more than 2,500 PFS designees. For additional information on this accreditation program, call 888/777-7077 (option #2) or e-mail questions to Josephine Baker at [jbaker@aicpa.org](mailto:jbaker@aicpa.org).

### Employee Benefit Plan Audits Continue to Be Reviewed

The Pension Benefit Welfare Administration has established an ongoing quality review program to assess the quality of audit work performed by independent auditors in audits of plan financial statements that are required by ERISA. Practitioners deemed by the PBWA to have performed significantly substandard audit work are referred to either state licensing boards or the AICPA Professional Ethics Division for further investigation. Because ERISA holds plan administrators responsible for assuring that plan financial statements are audited in accordance with generally accepted auditing standards, deficient audit work can also expose plan administrators to significant penalties under ERISA Section 502(c)(2).

The PBWA continues its aggressive reporting compliance program to ensure that plan administrators comply with ERISA's reporting and disclosure requirements. The DOL's 1999 budget contained a major performance goal that no more than 12% of 1999 plan year audits would contain deficiencies with professional and regulatory standards and that no more than 3% of Form 5500 filings would contain reporting and disclosure deficiencies. During 2001, the PBWA plans to conduct a nationwide study to once again assess the quality of employee benefit plan audits and evaluate compliance with its goal. Accordingly, 1999 plan audits are of particular importance because it will be the year used in the PBWA's study that will gauge the improvements made by the profession to strengthen the quality of employee benefit plan audits.

The previously issued Practice Alert on the *Audits of Employee Benefit Plans* (97-2) has been updated for the accounting literature released since the Practice Alert was originally published. The Alert

is posted on the AICPA Web site ([www.aicpa.org/members/div/secps/lit/practice.htm](http://www.aicpa.org/members/div/secps/lit/practice.htm)).

Further, a commonly noted deficiency in employee benefit plan audits is that the auditor does not recognize the need for, or improperly uses, a report from a service organization's auditor under SAS No. 70, *Reports on the Processing of Transactions by Service Organizations*. Employee benefit plans often use service organizations to account for investments and investment income, major elements of the plan's financial statements. The AICPA recently released an updated version of the Auditing Practice Release, *Service Organizations: Applying SAS No. 70* (No. 060457CLD4; price: \$28.50 member, \$31.50 non-member), which is available from the Member Satisfaction Center (see page 6).

### NCUA Proposes Rule on Supervisory Committee Audits and Verifications

The National Credit Union Administration recently published a proposed rule on supervisory committee audits and verifications to implement the audit and financial reporting provisions of the Credit Union Access Act (*Federal Register*, Vol. 64, No. 3, Jan. 6) and requested public comment by Mar. 8. The proposed rule specifies the minimum annual audit required for credit unions based on asset size and type of charter, the licensing authority of persons performing certain audits, and the accounting principles that must be followed in financial reports filed with the NCUA.

The AICPA Credit Unions Committee commented on the NCUA's proposed rule. To obtain a copy of the comment letter, visit [www.aicpa.org](http://www.aicpa.org).

### AICPA Seeks Support for Bill on Self-Employed's Health Insurance Deduction

The AICPA sent letters to the members of the U.S. Senate on Feb. 17 urging them to support S. 343, The Self-Employed Health Insurance Fairness Act of 1999. The bill, introduced by Senator Kit Bond (R-Mo.), Chairman of the Senate Small Business Committee, would make health insurance premiums fully deductible for small business owners immediately. Representative Jim Talent (R-Mo.) on Mar. 4 introduced a companion bill, H.R. 980, to the Senate bill. H.R. 980 has 52 original co-sponsors.

Currently the self-employed can only deduct 60% of their health insurance costs, and the deduction is not scheduled to reach 100% until 2003. Unfortunately, the present rules place a

significant penalty on the health costs of those who operate as proprietors, partners, or S corporation shareholders/employees, in relation to those who are employees of C corporations and enjoy a full deduction.

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**A CPA's Guide to High-Risk Investment Strategies: Derivatives, Options, Straddles and Other Hedges** (No. 090447CLD4) is an expertly written and easily understood book, based on the best-selling CPE self-study course. This publication takes the mystery out of sophisticated investment instruments, providing a clear picture of how derivatives are used to both hedge inflation risk and take on speculative risk. Discover the economics and tax consequences of these unusual investment strategies. Price: \$36 member, \$45 non-member.

**NEW—Codification of Statements on Auditing Standards Nos. 1-87 as of January 1, 1999** (No. 057173CLD4) is the essential reference tool to find the exact codification you need. All state-

ments on auditing standards are organized by subject and indexed in this handy guide. Plus, you will have the most up-to-date information at your fingertips, since superseded statements have been deleted and all superseding amendments have been included. This publication also includes statements on standards for attestation engagements, which can be purchased separately. Price: \$65 member, \$81.25 non-member.

**NEW—Codification of Statements on Standards for Accounting and Review Services Nos. 1-7 as of January 1, 1999** (No. 057171CLD4) includes all statements on standards for accounting and review services currently in effect, organized by subject and fully indexed. Price: \$15.25 member, \$19 non-member.

**NEW—Codification of Statements on Standards for Attestation Engagements Nos. 1-9 as of January 1, 1999** (No. 057172CLD4) is a handy reference that includes all statements on standards for attestation engagements currently in effect. Price: \$15.25 member, \$19 non-member.

**Three-Volume Codification Set** (No. 057170CLD4). Purchase all three codification titles and save 25% off the list price. Price: \$70.75 member, \$88.25 non-member (only members can be billed).

**To order**, write: AICPA Member Satisfaction Team, CLD4, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). **Prices do not include shipping and handling. Have membership number ready.**

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The Latin American conference will be held June 14-15 in Key Biscayne, Fla. The Asian conference will be

held July 22-23 in San Francisco. Each conference offers 16 recommended CPE credit hours. To receive a brochure or to register, call Member Satisfaction at 888/777-7077.



Watch your mail later this month for the **AICPA's Spring Self-Study Catalog** which includes 25 new courses in addition to popular yearly availabilities.

## Earn Free CPE Credits by Being a Reviewer for Self-Study Courses

CPAs are needed to review AICPA self-study courses in advance of publication to help ensure that Institute courses continue to maintain high quality standards. For volunteering their time and service, CPAs who pass the course test will receive free CPE credits and a course completion certificate from the AICPA Professional Development Division.

If interested, write: Wilma Anderson, Professional Development Division, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, New Jersey 07311-3881; e-mail

[wanderson@aicpa.org](mailto:wanderson@aicpa.org) or fax 201/938-3516. Include your full name, telephone number, fax number, e-mail address and mailing address. Also, indicate which broad practice areas (e.g., auditing, accounting, taxation, consulting) and more specific specialties are of interest to you. We will include you on the roster of course reviewers and contact you when a suitable course is in the prepublication phase. Selected reviewers will be asked to provide their technical comments, corrections, and record of course completion time, as well as general suggestions for improvement of the course.

## REPORT OF THE NOMINATIONS COMMITTEE

To: Members of the American Institute of Certified Public Accountants

Pursuant to Article VI, Section 6.1.6 and 3.3 of the bylaws, the following report of the Nominations Committee is submitted.

Frank J. Katusak  
Executive Administrator to the President  
March 12, 1999

The Nominations Committee hereby proposes the following nominees as Officers, members of the Board of Directors, members of Council-at-Large, elected members of Council, members of the Joint Trial Board and members of the AICPA Peer Review Board. Upon election, the candidates will serve in the positions indicated from the Council/Annual Members' Meeting on Oct. 17–19, 1999, in Seattle until the Annual Members' Meeting in 2000, 2001 or 2002, as indicated in the report, or until their successors shall be elected:

- **Chair of the Board:** The Committee affirmed the nomination of the following as Chair of the Board of the Institute for 1999–2000:  
Robert K. Elliott, *New York*
- **Vice Chair of the Board:** The Committee nominated the following as Vice Chair of the Board of the Institute for 1999–2000:  
Kathy G. Eddy, *West Virginia*
- **Board of Directors:** The Committee nominated the following for election as members of the Board of Directors for three-year terms ending in 2002:
 

Linda J. Blessing, <i>Arizona</i>	Michael B. Mountjoy, <i>Kentucky</i>
Denise L. Devine, <i>Pennsylvania</i>	Virginia M. Stanley, <i>New Mexico</i>
Michael E. Mares, <i>Virginia</i>	Edward J. Waitzer, (Public Member)
- **Council Members-at-Large:** The Committee nominated the following as Council Members-at-Large for three-year terms ending in 2002:
 

Gary L. Boomer, <i>Kansas</i>	Gary J. Previts, <i>Ohio</i>
Robert K. Herdman, <i>New York</i>	Ralph A. Thomas, <i>New Jersey</i>
Mitchell L. Klein, <i>New York</i>	George S. Willie, <i>District of Columbia</i>
W.M. Mack Lawhon, <i>Texas</i>	

Since Kathy G. Eddy is being nominated as Vice Chair of the Institute, the Committee also nominated Judy H. O'Dell, of *Pennsylvania*, to fill Kathy G. Eddy's unexpired term of one-year ending in 2000.

Since Michael E. Mares is being nominated to the Board of Directors, the Committee also nominated Robert H. Herz, of *New York*, to fill Michael E. Mares' unexpired term of one-year ending in 2000.

- **Elected Members of Council:** After consideration of the recommendations submitted by the state CPA societies, in accordance with the provisions of Article VI, Section 6.1.5. of the bylaws, the Committee nominated the following 42 members from 28 jurisdictions as directly elected members of Council. Upon election nominees will serve three-year terms commencing in the Fall of 1999 and ending in 2002:

<i>Alabama</i> —David P. Kassouf	Theodore R. Mandigo
Frank R. Rayburn	Richard T. Sullivan
<i>Arizona</i> —Larry Rennaker	Cheryl S. Wilson
Peggy Ullmann	<i>Indiana</i> —Jeffrey C. Kimmerling
<i>California</i> —Gale L. Case	<i>Iowa</i> —William R. Cook
Pamela A. Hunter	<i>Kansas</i> —Gary L. Poore
James H. Macklin	<i>Kentucky</i> —Kelly J. King
Michael A. Pimentel	<i>Louisiana</i> —Carol T. Barnes
<i>Colorado</i> —Cheryl A. Wenzinger	<i>Maryland</i> —H. Terry Hancock
<i>Connecticut</i> —James N. Smith	<i>Massachusetts</i> —Donna L. Abelli
<i>Florida</i> —Barbara A. Burner	<i>Michigan</i> —Mary E. Kline-Cueter
Ronald Thompkins	<i>Minnesota</i> —Lori M. Eglund
<i>Georgia</i> —John M. Giddens III	<i>Missouri</i> —Raymond C. Dockweiler
Howard Herman	<i>New Jersey</i> —Donald R. Richards
<i>Illinois</i> —Lawrence M. Gill	Paul V. Stahlin

continued on page 8

continued from page 7 — **Nominations Report**

*New York*—George T. Foundotos  
*North Carolina*—Sandra Terry Walker  
*Ohio*—Press C. Southworth III  
*Pennsylvania*—Gary R. Claus  
 Gregory F. Pashke  
*Rhode Island*—John J. McNamee

*Tennessee*—William G. Griesbeck  
*Texas*—Robert R. Anderson II  
 Robert M. McAdams  
*Virginia*—Elsie L. Rose  
 Thomas L. Visotsky  
*Washington*—Bea Nathon

- **Joint Trial Board:** The Committee nominated the following members to serve on the Joint Trial Board for three-year terms ending in 2002:

David P. Boxer, *New York*  
 Joseph R. DeMario, *North Carolina*  
 J. Louis Grant, *South Carolina*  
 Norman W. Lipshie, *New York*  
 Kyle Anne Midkiff, *Pennsylvania*  
 Marilyn W. Pielech, *Rhode Island*  
 Joseph A. Ribaud, *Massachusetts*  
 John R. Rogers, *Illinois*  
 Jerome P. Solomon, *Massachusetts*  
 Michael Weinshel, *Connecticut*  
 Albert S. Williams, *Colorado*

- **AICPA Peer Review Board:** The Committee nominated the following members to fill seven vacancies on the AICPA Peer Review Board for one-year terms ending in 2000:

Theodore Flynn, *Massachusetts*  
 Richard Garbee, *Virginia*  
 Mark Hobbs, *South Carolina*  
 William Metz, *Minnesota*  
 Mike Solakian, *Connecticut*  
 Nina Sorelle, *New Jersey*  
 Stanley Wood, *Idaho*

The Committee will nominate the Officers, Directors and Council Members-at-Large at the Council/Annual Members' Meeting, Oct. 17–19, 1999, in Seattle. No nominations from the floor will be recognized. However, independent nominations may be made by any 20 members of Council if filed with the Secretary by June 19, 1999, which is four months prior to the Annual Members' Meeting of the Institute to be held in Seattle on Oct. 19, 1999.

The Committee will also nominate elected members of Council at the Council/Annual Members' Meeting in Seattle. Pursuant to the bylaws, balloting for directly elected Council members in any state where vacancies shall arise will occur only if a contest for one or more seats develops as a result of submission of independent nominations to the Secretary by any 20 Institute members in the state at least four months prior to Oct. 19, 1999. In the absence of any contest, all Council nominations will be declared elected by the Secretary and they will assume office at the Council Meeting on Oct. 19, 1999.

The Committee will also nominate at that meeting the members of the Joint Trial Board and the AICPA Peer Review Board.

Respectfully submitted,

**Nominations Committee:**

Stuart Kessler, *New York*, Chair  
 S. Thomas Cleveland, *California*  
 Melinda M. Harper, *Colorado*  
 Deborah D. Lambert, *Maryland*  
 J. Curt Mingle, *Wisconsin*  
 Thomas J. Mulligan, *Ohio*  
 Kenneth L. Paige, *Pennsylvania*  
 Jean L. Rothbarth, *Illinois*  
 Eric L. Schindler, *Montana*  
 Tom L. Stringfellow, *Texas*  
 Gordon A. Viere, *Minnesota*



By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

Over the course of the past 18 months, CPAs from every segment of the profession came together in an unprecedented Visioning Process to examine what is important to us as professionals and to explore how we can build on these values to prosper in the next century.

The Vision Process was undertaken, in response to the rapid and constant changes impacting our profession, to reposition the CPA profession to meet the challenges of the global economy and a new millennium for all CPAs. Although these changes in the business environment offer many challenges, these challenges present unprecedented opportunities to all of us if we act NOW to move the profession forward.

A well-conceived Vision consists of two major components: 1) a core ideology and 2) an envisioned future. It defines core values (what we stand for and why we exist) and sets forth the envisioned future (what we aspire to become, achieve and create which will require significant change and progress to attain).

Core values remain constant over time because they represent the very fabric of who we are and what we represent—things we would never change regardless of other changes (i.e., honesty, integrity, objectivity). But as we preserve the core values, we also must stimulate progress, driving for progress in all that is not part of the core ideology to respond to market needs and demands. The results of the Vision Process identified the core values, along with the envisioned future services and competencies needed to assure an ongoing, relevant, strong and economically viable profession for our future and future generations.

To pursue the Vision to reality, we must now create organizational and strategic alignment with the envisioned future. Consistent alignment is essential to bring the Vision to life, translating it from good intentions to concrete reality. The AICPA and state CPA societies, as leaders of the profession, are aggressively pursuing the alignment process. At a recently held

Vision-to-Strategy Workshop for AICPA and state society leaders, collaborative strategies were explored and teams were created to further develop each strategy for potential implementation within the next 12–18 months.

In addition, the AICPA is challenging all areas and resources within the Institute, through a comprehensive planning process, to assure Vision alignment from top to bottom. This is a difficult task. All of us know that it is much easier to identify additional activities that need to be pursued than it is to eliminate existing ones. But if we are going to truly realize the Vision for our profession, these tough judgments must and will be made.

I encourage each of you to also examine your work, activities and resource allocations in comparison to the envisioned future outlined by the Vision. You may want to use the CPA Self Assessment included in the report of the results of the Vision Process, *CPA Vision 2011 and Beyond: Focus on the Horizon* (Dec. 1998 *Journal of Accountancy*; [www.cpavision.org](http://www.cpavision.org)) as a tool to determine how you will fit into this future. It is critical that all of us, individually and as a profession, seek consistent alignment with the Vision to realize the opportunities that lie ahead of us.



okirtley@vacorp.com

chair's  
corner

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- Dennis E. Evans of Houston settled charges on Nov. 16, 1998, of violating AICPA Bylaw 7.4.6 by failing to make a substantive response to interrogatories from the AICPA Professional Ethics Division. Without admitting or denying the charges, Mr. Evans agreed to be expelled from membership in the AICPA.
- James J. Pallman of New Haven, Conn., settled charges on Dec. 28, 1998, of violating Rule 501 - Acts Discreditable of the Code of Professional Conduct of the AICPA and the Connecticut Society of CPAs (CSCPA) by failing to timely file his federal individual and payroll tax returns and obligations for the years 1989 through 1994. Without admitting or denying the charges, Mr. Pallman agreed to a one-year suspension of his membership in the AICPA and the CSCPA and to successfully complete 7 hours of CPE on or before June 30, 1999.

disciplinary  
actions

- Nancy F. Perkins of Apple Valley, Minn., settled charges on Jan. 5, 1999, of violating Rule 501 - Acts Discreditable of the Code of Professional Conduct of the AICPA and the Minnesota Society of CPAs (MNCPA) by failing to timely file her federal individual income tax returns for two years and by failing to timely file her company's payroll tax returns and remit the related funds for numerous quarters during 1991 through 1996. Without admitting or denying the charges, Ms. Perkins agreed to a one-year suspension of her membership in the AICPA and the MNCPA and to successfully complete 7 hours of specified CPE during the suspension period.
- James A. Capwill of Twinsburg, Ohio, settled charges on Jan. 25, 1999, of violating Rule 501 - Acts Discreditable of the Code of Professional Conduct of the AICPA by failing to timely file his federal individual income tax returns for four years. Without admitting or denying the charges, Mr. Capwill agreed to a six-month suspension of his membership in the AICPA and to successfully complete 7 hours of specified CPE during the suspension period.

- Paul J. Cohen of Yardley, Pa., settled charges on Jan. 28, 1999, of violating Rules 202 - Compliance with Standards and 505 - Form of Organization of the Code of Professional Conduct of the AICPA and the New York State Society of CPAs (NYSSCPA) in connection with his audit of an employee benefit plan. Without admitting or denying the charges, Mr. Cohen agreed to a two-year suspension of his membership in the AICPA and the NYSSCPA, to successfully complete 79 hours of specified CPE courses during the suspension period, and to submit one work product to the AICPA Professional Ethics Division for review. If Mr. Cohen is not in the practice of public accounting, he agrees to submit a semi-annual statement to that effect for a period of five years, in lieu of the CPE and work product requirements.
- Lanny R. Lang of Tempe, Ariz., settled charges on Feb. 8, 1999, of violating AICPA Bylaw 7.4.6 by failing to comply with the directives of a letter of required corrective action issued by the AICPA. Without admitting or denying the charges, Mr. Lang agreed to be expelled from membership in the AICPA.

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

—*Terminated* following denials by an ad hoc committee of the Joint Trial Board of requests for reviews of the decisions of original trial boards, effective Dec. 21, 1998:

- Harrison S. Baldwin of Staunton, Va., for violating AICPA Bylaw 7.4.6 by failing to respond to requests for information from the AICPA's Professional Ethics Division in its attempt to investigate his alleged misconduct.
- Steven R. Ostrander of Germantown, Md., for violating AICPA Bylaw 7.4.6 by failing to respond to requests for information from the AICPA's Professional Ethics Division in its attempt to investigate his alleged misconduct.
- J. Walter Steinhardt of Baltimore, Md., for violating AICPA Bylaw 7.4.6 by failing to respond to requests for information from the AICPA's Professional Ethics Division in its attempt to investigate his alleged misconduct.
- William J. Vichiconti of Franklin Lakes, N.J., for violating the AICPA's Code of Professional Conduct, Rule 101 - Independence, Interpretation 101-1B.1, Interpretation 101-9, and Ethics Ruling 60 under Rule 101 in connection with his audit of the financial statements of an employee benefit plan.

—*Suspended* following denial by an ad hoc committee of the Joint Trial Board of a request for review of the decision of the original trial board:

- Glendell D. Melton of Memphis, Tenn., effective Dec. 21, 1998, for a two-year period for violating the AICPA's Code of Professional Conduct Rule 202 - Compliance with Standards in connection with an audit of the financial statements of an employee benefit plan. Mr. Melton was directed to complete 80 hours of specified CPE during the suspension period and to submit one work product to the AICPA's Professional

Ethics Division for review. A review of a second work product is dependent upon the results of the first review.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* effective Dec. 30, 1998, because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- Joseph L. Anstett of Las Vegas after pleading guilty to conspiracy to defraud the United States.
- Thomas K. Benshop of Minneapolis after having been found guilty of making a false statement to a financial institution and bank fraud.
- Alan W. Friesen of Lincoln, Neb., after pleading guilty to conspiracy to defraud the United States.
- Derek Wayne Lopp of Haskell, Okla., after pleading guilty to misapplication of bank funds.
- Fred Glen McKenzie Jr. of Tulsa, Okla., after pleading guilty to mail fraud, uttering counterfeit securities and causing the commissions of offenses.

—*Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Basil Brown of DeSoto, Texas, effective Dec. 30, 1998, for failure to respond to the board's inquiries.
- Theo K. Canfield of Wilsonville, Ore., effective Dec. 30, 1998, for failure to respond to the board's communications.
- H. Curtis Morgan of Springfield, Mo., effective Dec. 30, 1998, for failure to prepare and file appropriate federal and state tax documents, as well as a breach of his fiduciary duties as a trustee.
- Thomas C. Payne of Mount Airy, N.C., effective Jan. 22, 1999, by failing to comply with the terms of the board's order in connection with his failure to return the client's records.
- Bradley J. Strathe of Independence, Kan., effective Jan. 22, 1999, for failure to comply with the terms of his probation that was imposed upon him by the board after he had admitted to the unauthorized use of an electronic filing information number and forgery.

—*Suspended* following suspension of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Karis R. Ricketts of Seattle effective Dec. 30, 1998, coincident with the duration of the suspension period imposed by the Washington State Board of Accountancy, for failure to respond to the board's written inquiries.
- James E. Garland of Bremerton, Wash., effective Jan. 22, 1999, coincident with the duration of the suspension period imposed by the Washington State Board of Accountancy, for failure to respond to its Statement of Charges.
- William Ralph Wills III of Douglas, Ga., effective Jan. 22, 1999, coincident with the duration of the suspension period imposed by the Georgia State Board of Accountancy, for his alleged misconduct.

## Questions and Answers on Software Revenue Recognition Released

The AICPA staff, with assistance from industry experts, has released technical questions and answers on financial accounting and reporting issues related to Statement of Position 97-2, *Software Revenue Recognition*. Examples of the Qs&As are presented here; these and others are available from [www.aicpa.org](http://www.aicpa.org) and will be included in the next update of *Technical Practice Aids*. The staff may continue to issue Qs&As on software revenue as issues arise. Questions on these Qs&As should be sent to Dan Noll via e-mail ([dnoll@aicpa.org](mailto:dnoll@aicpa.org)).

### **TPA 5100.42—Extended payment terms and software revenue recognition**

**Inquiry**—A software vendor with a fiscal year ending Sept. 30 enters into a licensing arrangement and simultaneously delivers its product to a customer on Sept. 29. Payment terms are as follows: \$600,000 due 30 days from Sept. 29; \$400,000 due 13 months from Sept. 29. The licensing fee is not fixed or determinable because a significant portion of the fee is due more than one year after delivery of the software and the vendor cannot overcome the presumption in paragraph 28 of SOP 97-2, *Software Revenue Recognition*. How much revenue should the vendor recognize during the current fiscal year ending Sept. 30?

**Reply**—None. Paragraph 29 of SOP 97-2 requires that the vendor recognize revenue as payments from customers become due (assuming all other conditions for revenue recognition in the SOP are met). In this situation, \$600,000 should be recognized as revenue on Oct. 29 when the payment becomes due and the

remaining \$400,000 should be recognized 12 months later on Oct. 29 of the following fiscal year.

### **TPA 5100.43—Corrections of errors in computer software (bug fixes)**

**Inquiry**—A software vendor licenses software products to customers. Customers may elect to obtain postcontract customer support (PCS) from the software vendor as an element of the software arrangement, or customers may choose not to obtain PCS. To satisfy its warranty obligations, the software vendor provides bug fixes (free of charge) that are necessary to maintain compliance with published specifications to those customers that do not obtain PCS from the software vendor.

Paragraph 31 of SOP 97-2, *Software Revenue Recognition*, states, "...obligations related to warranties for defective software, including warranties that are routine, short-term, and relatively minor, should be accounted for in conformity with FASB Statement No. 5." However, the SOP's glossary indicates that PCS may include services such as the correction of errors (for example, bug fixing). If a software vendor provides bug fixes (under warranty obligations) free of charge that are necessary to maintain compliance with published specifications, should the software vendor account for the estimated costs to correct the bugs in accordance with FASB Statement No. 5 or should the vendor consider the practice of providing bug fixes free of charge part of PCS (which may result in the deferral of revenue)?

**Reply**—In this situation, the software vendor should account for the estimated costs to provide bug fixes (that are necessary to maintain compliance with published specifications) in accordance with FASB Statement No. 5.

## Different Is Good (and Profitable) at California CPA Firm

Step into the lobby of Scott & Baldwin CPAs in Citrus Heights, Calif., and your senses will go on a roller coaster ride. There is a hot dog machine, the smell of freshly popped corn and flavored coffee, colorful jelly bellies, videos, and the latest addition, a Ms. PacMan machine. The staff walks around dressed in company shirts, and if it is Friday, they will be wearing pinstripe shirts that look like baseball uniforms.

You are not in the local carnival; you are in Sacramento's 23rd largest CPA firm of 17 professionals and 7 support staff that has increased its revenues 10% to 20% each of the last three years. This Vision pathfinder firm pulls out the bells and whistles for more than 1,800 individual and small business clients who regularly visit the firm for update meetings, advice for the businesses and sometimes, just for the popcorn.

"When people leave their CPA firm, they never go home and talk about their experience with that firm," says CPA John Urrutia, one of the owners. "When they leave us, they are definitely talking. We even have clients outside of tax season who stop by for snacks. When finished with an appointment, it's not unusual to find a client hanging around in the lobby for at least 20 minutes."

cpa vision  
process

The substantial and steady increases in growth characterize this company as one of the many Vision pathfinder firms that is taking risks and simply doing business differently. Urrutia says Scott & Baldwin took a hard look at customer service and what it takes to grow a business. For example, the firm meets annually with their clients and each client's own set of professional advisers, such as a banker and lawyer.

"This is kind of like a state-of-the-union approach to keep up with the client's business in a number of areas, not just tax," says Urrutia. "The government makes you do the tax work, but we would much rather spend time finding out how to make a business more profitable. Part of what makes us successful is the fact that our clients know we're having a good time, we're more relaxed and genuinely concerned about their well-being."

This growing trend for firms to take risks and continuously change their business model is clearly part of the Vision Project. Now, state CPA societies, the AICPA and other organizations are beginning to implement the Vision at the grassroots level through a set of collaborative strategies discussed at the Jan. Vision-to-

*continued on page 12*



continued from page 11—Vision Process

Strategy Workshop held in Tucson. Participants from the state societies also walked away with a toolkit to enable them to effectively communicate these changes to members.

Three themes emerged as a consensus among the participants:

- "It's a New Game with New Rules"—with the profession's Vision at hand, the profession is at a critical juncture, and this is an unprecedented time of opportunity for the profession.
- There is a clear agreement that state societies and the AICPA must move their efforts up the value chain so members can do the same.
- There is a heightened understanding of the need for strong alliances and collaboration as the way to make things happen.

"Participants learned that there is not one way, or a right way, to deliver the Vision to our members," says Colorado CPA Lynn Lehr-Buck, a member of the CPA Vision Team. "Everyone must remember that the Vision is a journey, and will not be finished on a magical date in the future."

Working from the same seven strategic themes used in developing the Vision, participants developed a workable number of potential strategies and outcomes. While each potential strategy represents a collaborative effort between state societies and the AICPA, "champions" were identified and teams were formed to outline a plan to implement each strategy. In turn, the Vision Team will review and evaluate each plan and determine which strategies are ready to begin implementing.

### Market CPA ElderCare Services with New Toolkit

Market eldercare services with a new AICPA toolkit that offers customizable, professionally prepared client brochures, advertisements and introductory letters. The *CPA ElderCare Marketing Toolkit* (No. 022508CLD4) contains materials to effectively inform two key clients—the older adult client and the family or caregiver of the older client—that your firm offers this service. Each set of materials explains what eldercare is about and how clients can benefit from the service. Local printers can use the CD-ROM to customize the brochures, advertisements or letters with your firm

name and address. The client brochure lets you create a custom list of services by selecting from a list of suggested services.

Prepared by a national advertising firm, each set of marketing materials includes two ads with different messages in several sizes, with or without photos (16 ads in all); a client brochure in two sizes; and a sample introductory letter to send to clients.

All materials in this kit can be found on the CD as QuarkXpress files; the CD is PC and Macintosh compatible. Order from the Member Satisfaction Center (see page 6). Price: \$59 member, \$74 non-member.

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# The CPA Letter

May 1999 Vol. 79 No. 5

A News Report to Members

AICPA

## New CD-ROM Being Released to Help Members Plot their Futures

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The new CPA Vision CD-ROM is progressive, information-packed software that places the CPA Vision within the reach of every AICPA member—bringing the messages home in one, easy-to-use format. The CD will be included in the *Journal of Accountancy* early this summer.

With the title *The CPA Vision: The Future Is in Your Hands*, the CD provides a variety of multimedia tools and models to guide members on how the Vision affects the future of every individual CPA as well as the profession at large. With specific sections dealing with every facet of the Vision, the CD is an excellent complement to *Focus on the Horizon*, the Vision Report sent to members as part of the *Journal* in Dec. 1998 (the report also is available on the Vision Web site).

"Simply put, the Vision is the succession plan for the CPA profession—it is about taking a leadership role in adding value to our clients, customers and employers," says Tom Hood, chair of the Vision Team and executive director of the Maryland Association of CPAs. "The CD is designed to be a self-directed tour of the Vision and all of its elements and includes the tools to understand it and make it actionable."

The CD has five major sections, plus a search engine, reference library, feedback and help screens. In addition, it places more than 50 minutes of video and audio interviews with Vision "pathfinding" CPAs directly on a participant's desktop.

Users somewhat unfamiliar with the Vision should begin with the section "**What Does the CPA Vision Mean to Me?**" to understand how the Vision has a personal effect on members of the profession. Included are the nationally created and endorsed Core Purpose and Vision Statement, as well as a detailed explanation and analysis of the Top Five Values, Competencies and Services CPAs should possess to fulfill the Vision.

"**Why Was a Vision Created?**" explains in practical terms why the CPA profession

adopted the Vision as a means to determine its own long-term future. The section includes the global forces of change and their impact on our environment and the profession, as well as perceptions of key CPA audiences, such as small business leaders, consumers, legislators and students.

Through a specially designed audio-tour, viewers are led through an overview of the profession-wide visioning process in "**Where Does the Vision Come From?**"

covering the external and internal research findings that first paved the way to the Vision. Results of the Future Forums, the National Future Forum, substantial review by CPA audiences, and implementation procedures are outlined in this narrative.

"**Who Are the Pathfinders?**" presents audio, video and text explanations of 37 CPA Pathfinders: innovators who seek solutions to their business or profession through unique abilities, experience and activities. A special mechanism enables a search by field of employment (practice, business and industry, education or government), as well as subject—with topics that include core values and competencies. This area also describes the characteristics of a Pathfinder.

"**How Do I Become a Pathfinder?**" offers a multi-layered collection of tools enabling any CPA to travel a path towards innovation and an understanding of how the Vision influences the future of the profession. Among other items, this section includes self-assessment tools; direct links to future-focused, industry specific Web sites; and a directory of CPA services.

For continuous updates to the Vision CD-ROM, visit the CPA Vision Web site often, and provide the Vision Team with feedback by sending an e-mail message.



[www.cpavision.org](http://www.cpavision.org)



[mail@cpavision.org](mailto:mail@cpavision.org)

cpa vision  
process

## Use of CPA Logo Helps Reinforce National Image-Enhancement Campaign

An important component of the successful national CPA image-enhancement campaign continues to be the widening display of the profession's "CPA logo." The logo can be seen in advertising, on brochures, on stationery and business cards, and on similar materials. In addition, there are gift and giveaway items, such as T-shirts, sweatshirts, coffee mugs, lapel pins, Pierre Cardin pens, golf balls and mouse pads, that will help to add value to the CPA brand in the marketplace by increasing the visibility of the designation among current and potential clients, employers, accounting students and others.

Members interested in obtaining a merchandise order form should visit [www.aicpa.org](http://www.aicpa.org) or see the Oct. 1998 issue of *The CPA Letter* (note the new phone and fax numbers and address). Members may write Big Game Outfitters at 776 Bay Road, Hamilton, MA 01982, or:



978/468-9759



978/468-9758



For inquiries only, [biggame22@aol.com](mailto:biggame22@aol.com)

## Discussion Memorandum Released on Auditor Independence and Employment with Audit Clients

The Independence Standards Board has released for public comment a discussion memo (DM 99-1) on the independence implications of auditors going to work for their audit clients. The DM outlines the potential threats to auditor independence posed by auditor employment by clients, and presents the pros and cons of safeguards as an approach to protect auditor independence versus a "mandatory cooling-off period" (a period of time that must elapse before an

auditor takes a job at the client to prevent a compromise of his or her former firm's independence).

This issue is important to auditors, their clients and the investing public. Interested parties can obtain copies of the DM from the ISB's Web site at [www.cpaindependence.org](http://www.cpaindependence.org). Comments are due June 18, 1999.

## Department of Commerce Seeks Accountants

The U.S. Department of Commerce is seeking accountants to perform investigations of foreign manufacturers under the U.S. fair trade laws. Knowledge of GAAP, GAAS and cost-accounting systems for manufacturing enterprises is necessary. Some international travel is required. Experience with a CPA firm and/or work with international corporations is highly desirable. Starting salary range: \$48,796-\$60,183. Must be a U.S. citizen to apply. Travel expenses for interviews cannot be reimbursed. Fax résumé to Carolyn at 202/482-4795 or 202/482-4776.

## Practice Alert Issued on Independence Standards Board's First Standard

In Jan. 1999, the Independence Standards Board adopted Independence Standard No. 1, *Independence Discussions with Audit Committees*. To address implementation issues relative to the standard, the Professional Issues Task Force of the AICPA SEC Practice Section has developed initial guidance for CPA firms in Practice Alert 99-1, *Guidance for Independence Discussions with Audit Committees*. The guidance is designed to assist firms in evaluating and enhancing their policies and procedures for identifying and communicating with audit committees those judgmental matters that may be thought to bear on the auditor's independence. These communications in turn should serve to assist audit committees/boards of directors in fulfilling

certain of their responsibilities relative to corporate governance. These communications also will assist auditors in fulfilling their responsibilities to serve the interests of the public and strengthen the public's confidence in audited financial information reported by registrants.

The Alert is included in this issue's supplements for members in public accounting firms. Other members may obtain a copy online or through the faxback system (see access instructions for supplements on this page).

Members should be apprised that the full text of the ISB's Standard No. 1 appeared in the "Official Releases" section of the *Journal of Accountancy's* Apr. issue (page 102). An article on the standard appears on page 12 of that issue as well.

## CPA Letter Supplements and Practice Alert Available

To obtain any of the member-segment supplements (noted in *italic*) or Practice Alert 99-1 produced this month with *The CPA Letter*:



Dial 201/938-3787 and key in document no.: *large firms*, 1550; *medium firms*, 1551; *small firms*, 1552; *business & industry*, 1553; *finance & accounting*, 1554; *internal audit*, 1555; *government*, 1556; and *education*, 1557. Practice Alert 99-1 (for topic, see article above), document no. 1566



[www.aicpa.org](http://www.aicpa.org)

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting Standards Executive Committee:** June 16-18, New York

**Auditing Standards Board:** June 2-3, New York

**Professional Ethics Executive Committee:** May 20-21, New York

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Ellen J. Goldstein, Editor e-mail: [egoldstein@aicpa.org](mailto:egoldstein@aicpa.org)

## Accounting Curricula to Guide New CPAs Toward Vision

As part of its continuing efforts to produce accounting graduates well prepared to begin their professional careers, the academic community will play a pivotal role in repositioning the profession for success in the future as forecasted by the CPA Vision Process. Today's students, the CPAs of tomorrow, will need to be ready for the challenges and opportunities that lie ahead in the new millennium for their employers.

To effectively equip future CPAs, a strategic review of curricula and teaching methodology is necessary. Academics will be supported in this initiative through a Framework for Pre-Professional Competency Development (the PPC Framework), which the Institute will launch later this year.

The PPC Framework provides a central source of guidance on the competencies all students are expected to have upon entry into the accounting profession. The findings of the CPA Vision Process and several professional competency models, including the Competency Assessment Tool for the New Finance Professional, were reviewed and used as a starting point for the development of pre-professional competency guidelines. By bas-

ing pre-professional competency recommendations on professional expectations, the aim is to make student transition into the profession as seamless and effective as possible. Once in the workforce, continuing education will be a necessary, logical and natural extension of pre-professional education.

An online tool, the PPC Framework will define the requisite competencies for all students preparing to enter the accounting profession, link academics to strategies and guidance that address target competencies and facilitate assessment of curricula measured against PPC recommendations. The PPC Framework will be first exposed for feedback at the upcoming Annual Meeting of the American Accounting Association in Aug. It is expected that the entire Framework will be available by the end of 1999. For more information:



ekoch@aicpa.org



CPA Letter education supplement (May and others),  
www.aicpa.org

## Graduate Business Degree Program Established by E&Y

To meet its increased demand for accounting graduates, Ernst & Young LLP has teamed up with the University of Notre Dame and the University of Virginia to establish a graduate business degree program entitled Your Master Plan. The unique master's degree program is designed for non-accounting business majors and facilitates students' entrance into the firm's assurance and advisory

business services practice after the first semester of the program. YMP takes 15 months to complete and helps meet the 150-semester hour educational requirement of the AICPA and most states. Participants will earn a master's degree in accountancy from either university and split their time between campus classrooms and actual experience at the firm.

## Supreme Court Decision on Expert Testimony May Affect Litigation Involving CPAs

The AICPA Office of General Counsel reports that the United States Supreme Court recently issued an opinion in *Kumho Tire Co. v. Carmichael* (decided Mar. 23, 1999) that has important implications for litigation involving CPAs. In an earlier case, the Supreme Court said trial courts have a "gatekeeper" obligation under federal rules of evidence to determine whether scientific expert testimony is reliable and should be admitted into evidence. In *Kumho* the Supreme Court made it clear that the

trial court "gatekeeper" obligation applies in cases involving any kind of expert testimony (as opposed to only scientific). The Supreme Court said the trial court has broad latitude in determining reliability, and that the trial court's decision to exclude expert evidence will not be reversed unless it can be shown that the trial court abused its discretion. For more information, contact Virgil Webb of the General Counsel office at vwebb@aicpa.org.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- Lawrence M. Cohn of Highland Park, Ill., effective Dec. 30, 1998, after pleading guilty to mail fraud and tax evasion.
- Milton G. Gottesman of New York, effective Jan. 27, 1999, after pleading guilty to filing fraudulent automatic extension forms

and for failure to file an individual federal income tax return.

—*Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Jack I. Austin of Cheyenne, Wyo., effective Jan. 27, 1999, for violation of W.S. Section 33-121(a)(iv) and Chapter 6, Section 5(a) of the Rules of the Board.
- Robert L. Gresham of Columbia, S.C., effective Jan. 27, 1999,

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**The AICPA is introducing two leading business valuation software tools from Wiley ValuSource—at special discounts for members.**

**Value Express Software** (No. 016574HSCLD5) is a complete business valuation, deal structuring and report-writing system. Regardless of your application, Value Express can help with a range of projects, including benchmark appraisals, business purchase/sale, buy/sell agreements, lender/creditor requests, estate planning, business planning/performance evaluation, IRS/SEC appraisals, and more. Value Express is further enhanced with the inclusion of both a versatile report writer and a complete graphing package. Also includes free technical support and a 60-day money-back guarantee if not completely satisfied. System Reqs: 486 or higher computer - Pentium recommended; Win 98, 95 or 3.1. Price: \$295 member; \$349 non-member.

**ValuSource Pro Software** (No. 016575HSCLD5)

provides the detail you need to provide litigation services for clients. This total business valuation solution will quickly and easily handle unique situations you will encounter. Features of the program: a completely customizable chart of accounts; allows weighting of valuation conclusions; enter historical information on an annual, quarterly or monthly basis; enter an unlimited number of periods of historical financial statements; analyze financial statement percentages and ratios and compare to standards within the same industry; compute growth rates of balance sheet and income statement accounts; and more. Also includes free technical support, a bonus video training tape and a 60-day money-back guarantee if not completely satisfied. System Reqs: IBM or compatible 486 or higher; Win 3.1 or higher; 8MB RAM; 6MB hard drive. Recommended: Pentium computer with 16MB RAM. Price: \$675 member; \$795 non-member.

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available

**NEW—Encryption Plus Secure Export and Encryption Plus for Folders** (No. 016600HSCLD5) is a special two-product software package developed by the information security professionals at PCGuardian. When you need an easy way to encrypt data for transmission over the Internet, on diskette or CD-ROM, via modem, e-mail or over a network—and your client does not need special software to access the files—then Encryption Plus Secure Export is the solution. Safely send compressed, self-extracting files with this point-and-click application that requires no training or administration. With Encryption Plus for Folders, you mark specific folders for ongoing encryption protection. In addition, files copied into or created within these folders are automatically encrypted. System requirements: CD-ROM drive; Windows® 95/98. Price: \$99 member, \$119.95 non-member.

**NEW—Fraudulent Financial Reporting: 1987-1997 An Analysis of U.S. Public Companies; Research Commissioned by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)** (No. 990036CLD5). Fraudulent financial reporting can have significant consequences for the organization and for public confidence in capital markets. To combat the problem of financial statement fraud and to provide a better understanding of financial statement fraud cases, COSO has sponsored a project to research these areas. The objectives of the research

project were to identify instances of alleged fraudulent financial reporting, examine certain key company and management characteristics, and provide a basis for recommendation to improve the corporate financial reporting environment.

Culled from a sample of 200 financial statement fraud cases, the research findings have been grouped into the following five categories: nature of companies involved, nature of the control environment, nature of the frauds, issues related to the external auditor, and consequences for the company and individuals involved. Also included in this report are the implications of financial fraud. The implications reflect the judgment and opinions of the research team, developed from the extensive review of information related to the cases involved. *Fraudulent Financial Reporting: 1987-1997 An Analysis of U.S. Public Companies* will prove helpful to parties concerned with corporate financial reporting and aims to stimulate greater awareness of opportunities for corporate financial reporting improvements. Price: \$20 member, \$25 non-member.

**NEW—The CPA's Basic Guide to Mergers and Acquisitions** (No. 029872CLD5) covers the broad range of activities that are vital to successfully completing a merger or an acquisition—from pricing and structuring the transaction, to financing and closing deal. Intended for CPAs serving in management, as outside consultants or auditors, the topic is approached from the standpoint of the buyer, the seller, and the professional, with many examples, analyses and checklists drawn from actual transactions. Based on the popular CPE self-study course, topics include identifying acquisition candidates, conducting due diligence, valuation methods, sales and divestitures and more. Price: \$36 member, \$45 non-member.

**NEW—The CPA's Guide to Choosing Business Entities** (No. 090461CLD5). Based on the best-selling CPE self-study course, this guide explores the factors that may affect your entity decision, such as situations that call for evaluation of entity, succession planning, tax implications and the advantages and drawbacks of LLCs, LLPs and business reorganization. Price: \$36 member, \$45 non-member.

**The CPA's Guide to Benefit Plans for Small Business** (No. 090462CLD5) is an indispensable guide when making decisions on tax-effective employee compensation packages for small businesses. This intermediate-level book, based on the popular CPE self-study course, provides information on the use of fringe benefits and takes a comprehensive look at cafeteria plans, nonqualified deferred compensation plans, simplified employee pensions and simple IRA plans, 401(k) plans and more. This book will help you to integrate fringe benefit planning into small business owners' overall financial picture. Price: \$36 member, \$45 non-member.

**To order, write: AICPA Member Satisfaction Team, CLD5, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Prices do not include shipping and handling. Have membership number ready.**

## Professional Literature Now Available on CD-ROM

Accounting and auditing literature has become convenient and portable with reSOURCE: AICPA's Accounting and Auditing Literature, a new product that allows electronic delivery of AICPA authoritative guidance. Encompassing professional standards, technical practice aids and audit and accounting guides, reSOURCE is now available on CD-ROM.

*AICPA Professional Standards* is a compilation of various professional standards and interpretive guidance issued by the Institute, the International Federation of Accountants, and the International Accounting Standards Committee. The standards are arranged by subject and are updated to incorporate amendments and conforming changes.

*AICPA Technical Practice Aids* contains all outstanding statements of position and practice bulletins. This useful reference also includes a non-authoritative section of selected accounting and auditing questions received by the AICPA's Technical Hotline

and various industry committees along with responses. Questions and answers on software revenue recognition also are included (*The CPA Letter*, Apr.).

Summarizing relevant accounting, auditing, and industry-specific practices and procedures, *AICPA Audit and Accounting Guides* also illustrate treatments of financial statements and reports. In addition, the reSOURCE CD-ROM includes the relevant audit risk alert with the purchase of the guide.

The CD-ROM offers the powerful Folio search engine, printing by different methods, copying and pasting abilities, creating notes as you research and the ability to view a history of your searches. With the CD-ROM subscription service, you get quarterly updates at no additional cost.

Order reSOURCE CD-ROM by contacting the Member Satisfaction Center (see page 4).

## AICPA Testifies on Corporate Tax Shelters and Trade Association Tax

The AICPA recently testified before the House Ways and Means Committee about provisions in President Clinton's Fiscal Year 2000 budget that would limit corporate tax shelters and that would impose a corporate-rate tax on "net investment income" of trade associations (section 501(c)(6) organizations, such as the AICPA). The Institute told Congress that it holds "no brief" with tax abuses, whether they "fall under the pejorative rubric of 'tax shelters' or any other part of our tax system." Thus, the AICPA said, the Institute sympathizes with and supports efforts to restrict improper tax activities through appropriate sanctions.

Specifically, the AICPA favors the Administration's recommendation regarding exploitation of the tax system by the use of tax-indifferent parties. However, the Institute emphasized, "we also support and defend the right of taxpayers to arrange their affairs to minimize the taxes they must fairly pay."

Outlining its objections to a number of the Administration's corporate tax shelter proposals, the AICPA charged they are "an overbroad grant of power" to the IRS to impose "extremely severe sanctions on corporate taxpayers by applying standards that are far from clear and that could give examining revenue agents a virtual

hunting license to go after corporate taxpayers," including small and medium-sized businesses, not just *Fortune* 100 companies.

The three most troubling features of the proposals are the absence of a clear standard defining what is and what is not an abusive transaction, the shift in authority from Congress to the IRS, and provisions so broad they could negatively affect legitimate tax planning.

Regarding the proposed trade association tax, the Institute told Congress it opposes the provision. The implication behind this provision is that current law provides an incentive to fund association operations on a tax-free basis (through the build up of non-taxed investment assets) because members receive a deduction for dues payments but would have been taxed on the earnings attributable to those payments had the payments not been made to a 501(c)(6) organization. The theory does not hold up, the AICPA said, because no business is going to view dues payments to a trade association as a prudent means of sheltering income from tax. Furthermore, associations accumulate a surplus not to accelerate deductions or provide tax deferrals, but because it allows them to protect against annual dues fluctuations.

### legislation

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for his alleged misconduct.

- Kenneth I. Arthur of Columbus, Iowa, effective Feb. 1, 1999, for failure to comply with a Settlement Agreement and Consent Order that he entered into with the state board.

—*Terminated* following denial by an ad hoc committee of the Joint Trial Board that the automatic disciplinary action not apply to his circumstance:

- Thomas R. Borek of Purchase, N.Y., effective Mar. 10, 1999, after pleading guilty to offering a false instrument for filing in the second degree.

As a result of a decision by the hearing panel of the Joint Trial Board, the following member of the AICPA was:

—*Admonished:*

- Professor Abraham J. Briloff of New York for violating Rule 202—Compliance with Standards of the AICPA Code of Professional Conduct in connection with his compilation report on a nonprofit organization's financial statements for the year ended Aug. 31, 1993, and his audit of a nonprofit organization's financial statements for the year ended Aug. 31, 1993. Mr. Briloff's request for a review of the decision of the trial board was denied on Mar. 10, 1999, the effective date of the admonishment.

## Tax Day 1999 Publicity Campaign Grabs Media's Attention

Like previous "tax day" publicity efforts, the AICPA's "Tax Day 1999" campaign got off to a running start. This annual media relations program consists of a comprehensive set of activities and communications materials designed primarily for customized use by state CPA societies. The campaign's goal is to springboard publicity opportunities off ready-made media interest in tax stories leading up to the Apr. 15 tax-return filing deadline. The campaign in past years has resulted in widespread media exposure for state societies, individual CPAs around the country and the profession generally as well as the Institute.

This year's campaign featured a video news release starring Gerry Padwe, AICPA Vice President of Taxation, commenting on 10 top tax deductions that filers should make sure not to miss out on as they scramble to get their 1998 returns in by Tax Day. A "VNR" is a pre-produced television news segment made available to stations nationwide via satellite. Stations can run the VNR intact or use as a resource for producing their own segments. Padwe was also the subject of a satellite media tour, whereby an expert is made available via satellite in real time for live interviews with reporters from television stations around the country.

Among the many television interviews coming out of the

campaign were two appearances by David Lifson, chair of the Tax Executive Committee, on "Good Day New York" on the local Fox network affiliate; an appearance by Padwe on the nationally syndicated business news program "On the Money"; and Padwe appearances on network affiliates in Washington, D.C.; Denver; Detroit and Kansas City as well as on the national Reuters TV. As of Apr. 15, the VNR and SMT had already reached an audience of more than **5.7 million** viewers.

Lifson also was the subject of an audio media tour. Much like the satellite media tour, an expert is made available for live interviews, but in this case over the airways for radio stations throughout the U.S. This ANR, as of Apr. 15, had reached **4.8 million** listeners.

In addition, the campaign offered a series of feature-like press releases on tax topics, potential questions and answers for media interviews, and other background materials for customized use with local media by the state societies.

The topics covered in the '99 campaign were: ten top tax breaks for filers not to miss; a "six-step program" for avoiding filing mistakes; tax deductions associated with repairing the "millennium bug" in technology systems; tax breaks for the new millennium; and the new IRS Taxpayer Advocate.

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relations

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# The CPA Letter

## Council Passes Resolution on Compilation Services at Spring Meeting

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At its meeting on May 2-5, the AICPA governing Council passed a resolution to permit CPAs in non-CPA owned firms to perform compilations. This decision will not take effect until a bylaw change is made. It is anticipated that at its Oct. meeting, Council will vote to issue a member ballot on the bylaw changes necessary to implement the resolution, which would allow individuals to enroll in peer review (the CPAs in non-CPA owned firms performing the compilations will need to undergo peer review on that service).

In other actions, Council:

- Approved a set of criteria to be used to determine any future accounting standard-setting body as provided for under Rule 203 of the Code of Conduct. The Federal Accounting Standards Advisory Board is expected to seek such authority at the fall meeting of Council.
- Awarded the Gold Medal for Distinguished Service posthumously to Gerald A. Polansky (his family accepted the medal on his behalf). Polansky was chair of the AICPA Board of Directors during 1991-1992.
- Awarded the AICPA Public Service Award to Robert Margolis of Pennsylvania. He has been an active volunteer in many organizations, locally, regionally and nationally. Margolis' efforts have raised millions of dollars and created dozens of organizations and funds to help those in need.
- Presented the AICPA Distinguished Achievement in Accounting Education Award to Dr. R. Glen Berryman, who was a professor of accounting at the

University of Minnesota from 1958 to 1995 and during various periods served as chair of the department of accounting.

- Approved the budget for fiscal year 1999-2000, which provided for a restructuring of membership dues (see "Chair's Corner" on page 4).
- Heard a presentation from Frank Harding, president of the International Federation of Accountants, regarding activities currently underway at IFAC and the international focus needed by the profession moving forward.
- Received a presentation on issues related to the computerization of the Uniform CPA Examination.
- Heard reports from: W. Val Oveson, National Taxpayer Advocate for the IRS, on a new vision for the IRS; Milton Brown, chair of the National Association of State Boards of Accountancy, on current NASBA initiatives and activities; Kathy G. Eddy, co-chair of the AICPA/NASBA National Steering Committee on Regulation of the Profession, on its progress over the past several months; Alan W. Anderson, AICPA Senior Vice President-Technical Services, on the results contained in the Committee of Sponsoring Organizations (COSO) Fraud Study; Dominic A. Tarantino, chair of the National Accreditation Commission, on its current initiatives; and J. Thomas Hood III, chair of the CPA Vision Team, on its current activities as well as the initiatives that lie ahead.

## Economic Platform Models Point Direction to Increased Value

The Economic Value Chain is a series of seven market- or customer-focused platforms that distinguish the different services and strategies CPAs deliver in terms of their ultimate value and outcomes to the user. As the profession redefines itself to meet the CPA Vision, the Economic Platform model

provides insight into the strategic changes that will elevate CPA products and services to meet market demand and focus.

Such tools matter more now than ever before. CPAs in business and in practice content with the status quo will likely lose

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## AICPA Produces Video and Booklet to Help Members Work with Media

With the ever-changing nature of the profession, from the emergence of new service capabilities to enhanced and broader perceptions of CPAs among various audiences, developing a positive rapport with the media has never been more important and critical to one's success. In response to members' requests for tools to help them plan effective media relations campaigns and for the know-how to obtain the maximum value from an interview with a media representative, the AICPA Communications Team has developed *Meeting the Media*, a tutorial comprising a 32-minute videotape and accompanying booklet.

This media training package offers valuable guidance on how to work with newspaper and broadcast reporters. It covers such critical topics as shaping your message, responding to confrontational questions and establishing relationships with reporters.

*Meeting the Media* (No. 890931CLD6) is available to members for \$15 (\$18 for non-members) plus shipping charges from the Member Satisfaction Center (see page 10).

## Exposure Draft Issued on Proposed Revisions to Standards for Performing and Reporting on Peer Reviews

The AICPA Peer Review Board has issued an exposure draft to revise the Standards for Performing and Reporting on Peer Reviews. The proposed revisions most notably affect firms that only perform review engagements and/or perform compilation engagements.

If adopted, the term "on-site peer review" would be replaced with the term "systemic review" to more accurately describe this type of peer review. In addition, firms that perform a review engage-

ment as its highest level of service would have a systemic review. Firms that only perform compilation engagements would have a "report review," which is significantly different from the current "off-site peer review" that would be completely eliminated.

Comments on the exposure draft are due Aug. 10. A copy of the ED and the current Standards are available from the AICPA Peer Review Web site. For a printed copy of the proposal (No. 800130CLD6), contact the Member Satisfaction Team (first copy is free; see page 10).



[www.aicpa.org/members/div/practmon/index.htm](http://www.aicpa.org/members/div/practmon/index.htm)

## Volunteers Needed to Help Redesign CPA Exam

Members are being called upon to help transition the Uniform CPA Exam into the 21st century. Led by the Board of Examiners and the Examinations Team, the Institute will be conducting panels, focus groups and interviews during the summer and fall of 1999 and relying on members' expertise for two projects.

The first project involves determining how to set passing scores for the forthcoming computer-based Uniform CPA Exam, scheduled to be implemented in 2003. The panels will convene at the AICPA's New Jersey office during the week of Aug. 9. Panelists must meet the following requirements:

- Your CPA certificate was received in the past three to five years.
- A minimum of 50% of your time is spent in either attestation or tax work.
- You have supervised new CPAs for at least the last two years.

The second project is a practice analysis of CPAs. A practice analysis is a group of methods used to determine the core knowledge and skills required of CPAs. In particular, the practice analysis, which began in May, seeks to identify the knowledge and

skills to be assessed on the exam. In addition to the CPAs who fit the profile above, the Institute is also looking for CPAs who meet the following criteria:

- More than five years' experience in public practice and currently supervising and training entry level CPAs.
- Work in a broad range of practice settings and involvement in a wide variety of engagement types (i.e., accounting and auditing, taxation, and management advisory services).
- Employment in either public or private industry settings.

If you would like to help shape the future of the Uniform CPA Exam and the profession, contact Bruce Biskin at [bbiskin@aicpa.org](mailto:bbiskin@aicpa.org) (call 201/938-3421) [passing scores] or Charles Offerman at [cofferman@aicpa.org](mailto:cofferman@aicpa.org) (201/938-3435) [practice analysis] and ask for a biographical information form.

Additional opportunities may be available through 2000 and beyond and participants may be eligible for CPE credit. Watch for more information.

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting and Review Services Committee:** June 18, Chicago

**Accounting Standards Executive Committee:** June 16-17, Norwalk, Conn.; July 27-28, Colorado Springs, Colo.

**Auditing Standards Board:** July 20-22, New York

### Other Meetings

**Peer Review Board:** Aug. 2-4, Toronto, Canada

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### AITF Advisory: Reporting the Adoption of SOP 98-2

In Mar. 1998, the Accounting Standards Executive Committee issued SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*, which is effective for financial statements for years beginning on or after Dec. 15, 1998. The adoption of the SOP may change amounts reported as program expense, management and general expense, and fundraising expense, but will not change total expenses or changes in net assets. In discussing the import of the classifications covered by the SOP, paragraph C-6 notes that external financial statement users of NPO's financial statements focus on and have perceptions about amounts reported as program, management and general, and fund raising.

The Audit Issues Task Force of the Auditing Standards Board is advising auditors that the adoption of the SOP, whether or not retroactively applied, is an accounting change for which the consistency standard is applicable. If the change has a material effect on the comparability of the entity's financial statements, the auditor should refer to the change in an explanatory paragraph of his or her report in accordance with SAS No. 58, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 508.16).

### Continuous Auditing Study Available

The Special Committee on Assurance Services (the "Elliott Committee") report discusses the evolution of a new audit paradigm characterized by "a set of real time financial and non-financial information accompanied by continuous assurance." *Continuous Auditing* (No. 022510CLD6), a joint AICPA/Canadian Institute of Chartered Accountants study, is a step in that direction.

The exploratory study discusses: how continuous audits differ from "traditional" audits; prerequisites for performing continuous audits; areas where continuous auditing may challenge existing assurance standards; and topics for research to help continuous audit services evolve.

To order the study, contact the Member Satisfaction Center (see page 10; price: \$22.50 member, \$32.25 non-member).

### Exposure Draft of Omnibus SAS Released

An exposure draft of a proposed omnibus statement on auditing standards titled *Audit Adjustments, Reporting on Consistency, and Service Organizations (Omnibus Statement on Auditing Standards—1999)* (No. 800128CLD6) has been released by the Auditing Standards Board. Comments are due June 22.

An omnibus SAS addresses several unrelated topics. The proposed SAS provides guidance to auditors in the following three areas:

1. Management's responsibility for the disposition of financial statement misstatements brought to its attention.
2. Changes in the reporting entity that require a consistency explanatory paragraph in the auditor's report.
3. Determining whether information about a service organization's controls is needed to plan the audit.

The exposure draft is available from both the Web site and the Member Satisfaction Center (see page 10; first copy is free).



[www.aicpa.org/members/div/auditstd/adjindex.htm](http://www.aicpa.org/members/div/auditstd/adjindex.htm)

### Questions and Answers on Not-for-Profit Organizations Accounting Released

The AICPA staff, with assistance from industry experts, has released eight technical questions and answers on financial accounting and reporting issues for not-for-profit organizations. Examples of the topics covered include Lapsing of Time Restrictions on Receivables That are Uncollected at Their Due Date, NPO Accounting for Loans of Cash That are Interest Free or That Have Below-Market Interest Rates, and Consolidation of Political Action Committees. All eight Qs & As are available on our Web site and will be included in the next update of *Technical Practice Aids*. Members with questions should call the Technical Hotline (888/777-7077) which provides non-authoritative guidance on accounting and attest issues.



[www.aicpa.org/members/div/acctstd/general/nfptpa.htm](http://www.aicpa.org/members/div/acctstd/general/nfptpa.htm)

### GASB Not to Pursue Different Approach for Higher Education; Will Soon Release New Framework for Financial Statements

The Governmental Accounting Standards Board has announced that it would no longer pursue an approach for separate financial reporting standards for public colleges and universities. Rather, public colleges and universities would be required to follow standards established for all other state and local governmental entities. Respondents to GASB due process documents had urged such an approach, causing the board to reconsider its initial proposal. An exposure draft on the new proposal will be issued in late spring or early summer.

In another announcement, the GASB said that later this month it will release a new framework for state and local government financial statements. Among the highlights of the new rules, which state and local governments will begin to use to report their finances to the public in 2001, is that governments will be required for the first time to show all of their assets, including infrastructure features such as roads and bridges. The statements also will contain information about the expense of providing government services and how those services are financed. In addition, depending on the method they choose to account for their infrastructure, governments may also be required to provide information about the physical condition of infrastructure and a comparison of actual and necessary maintenance spending.

### Member Satisfaction Center

- Address/membership information
- Orders and inquiries
- Subscriptions
- Conference registrations



888/777-7077



[memsat@aicpa.org](mailto:memsat@aicpa.org)



Voice Mail Box comments,  
888/999-9252



By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

## Chair's corner

members in all areas of the profession achieve the Vision and benefit from the continually expanding role and enhanced image of the CPA. Consistent with this spreading of resources, it is appropriate for more parity in our dues structure.

In addition, while taking on many new initiatives in response to member demand, there has not been an increase in dues since 1993. Until now, we had been able to keep dues to that level by cutting down or eliminating non-essential programs, outsourcing functions where it was economically beneficial, and forming strategic alliances to provide additional services without using our own resources—and we will continue to do so whenever possible. But at this point further spending reductions would severely impair our core programs. The new dues structure will help us maintain the quality services you have come to expect from the AICPA.

For all these reasons, many of you will see an increase in your dues when you get your dues notice later this month. These increases, as part of the dues restructuring, were discussed at the five regional Council meetings in March where representatives from all states and all segments were supportive. The Board of Directors approved the dues structure in Apr. and the full AICPA governing Council approved it in May. It was agreed that the new dues structure would be simpler, fairer and more logical. In fact, to help entice students into the profession and to join the AICPA, we are lowering the dues in this category.

The additional revenue from the dues restructuring will primarily be used to fund three big-ticket items: computerization of the CPA exam, activities to help members implement the Vision, and an expanded

national image-enhancement campaign.

Computerizing the exam goes beyond simply using a PC; we are revisiting the content and looking at higher cognitive skills that should be tested. Such measures will help to ensure that entry level CPAs of the future are better equipped to fulfill the demands of this profession regardless of area of employment.

With the Vision to provide us with a direction for the future, the AICPA and state CPA societies are in the process of implementing new tools, information and resources to help members achieve the Vision, including additional assurance services, specialty accreditations, expansion of the Center for Excellence in Financial Management, competency-based continuing education, and enhanced Web-based services.

Our national advertising campaign, which will incorporate Vision outcomes and themes, will be expanded to obtain greater visibility among target audiences. Our objective is to broaden the image of the capabilities of CPAs among key business decision-makers and those we are trying to attract into the profession.

When you receive your dues statement, I hope you will agree that the new dues structure is a move in the right direction for both simplification and parity. I also encourage you to participate in the dues check-off options to contribute to the political action committee; the AICPA Foundation, including Minority Initiatives; and the Benevolent Fund. These are vital programs for the profession and your continued generosity is greatly appreciated.



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## Highlights of Board of Directors' April Meeting

Among other actions at its meeting on Apr. 20–21, the AICPA Board of Directors:

- Agreed to recommend to Council that the AICPA Governing Rules be modified to permit all CPAs to perform compilations (see page 1).
- Agreed to support the submission of the International Strategy Committee's response to the International Accounting Standard Committee's proposed restructuring (see page 11).
- Passed a resolution to recommend to Council the authorization of

a membership vote at its Oct. meeting so that the AICPA bylaws could be amended to allow a limited number of non-AICPA members to serve on senior or permanent committees and boards if approved in the future by Council.

- Discussed a proposal to designate the Tax Executive Committee as a standard-setting body.
- Heard that the Finance Committee has recommended the approval of the business plan for the computerization of the Uniform CPA Examination.
- Was given an update on the Business & Industry Executive Committee's strategic plan, currently under development.

## THE YEAR IN REVIEW ... THE YEAR AHEAD

### A Focus on Your AICPA Membership

Welcome to *The CPA Letter's* annual "Year in Review." This special supplement will describe how the AICPA has worked to enhance the profession and expand members' professional horizons. It also will discuss plans for capitalizing on the many challenges and opportunities that lie ahead for CPAs. Below, President & CEO Barry Melancon talks about important developments and initiatives that have taken place during the last year. Following the Q&A is a list of valuable information on some of the many worthwhile benefits the Institute offers its members.

#### **What have been the AICPA's most important accomplishments during the past twelve months?**

One of our chief goals was to turn the CPA Vision Process into reality. The Vision Process began with a grassroots effort of 3,000 members to identify and understand the many issues and challenges that CPAs will face in the new century and has now moved into the implementation stages. We have also taken a number of steps to strengthen members' competencies and to create a more efficient Institute.

#### **What has the Institute done to enhance members' professional lives?**

Certainly the CPA Vision Process is an ongoing effort to create new and exciting opportunities for members. To ensure that CPAs remain at the forefront in a constantly changing business world, we sought to develop a comprehensive and integrated vision of the future of the profession. From that initiative, we created a Vision Statement and identified the top five core values, core services and core competencies for our members in the coming years.

Since the results of the Vision Project were approved by AICPA Council last Oct., the AICPA has begun aligning its efforts (and for that matter, most state CPA societies have as well) to reflect the new Vision of the profession so we can provide you with the products, information and services you need to develop your practice or your career. The Institute is working to promote the "CPA Brand," creating marketing and advertising campaigns that promote the brand to clients, customers, employers, students, and to the profession itself. As part of this effort, the AICPA Image Enhancement Campaign will incorporate the outcomes of the Vision Process. To ensure that it is a true reflection of our membership, the Vision Process is being implemented in conjunction with the state societies. The CPA Vision Team, chaired by J. Thomas Hood III, executive director of the Maryland Association of CPAs, consists of six member delegates, six state society executive directors and four AICPA staff representatives.

#### **How has the Institute helped widen CPAs' practice opportunities?**

The AICPA is developing new assurance services as part of a strategy to help CPAs use existing competencies to branch out into new markets. *CPA WebTrust*<sup>SM</sup>, the first assurance service to be rolled out, has been gaining acceptance in the marketplace. The *CPA WebTrust Seal*—which offers assurance to electronic commerce consumers about the safety and integrity of a given Internet retailer—now appears on numerous prestigious Web sites, including those of E\*TRADE, Camera World and baseball legend Roger Clemens (rocketroger.com). *CPA WebTrust* both creates a new practice area for CPAs and highlights our profession's technology expertise.

This assurance service expanded across international boundaries when the Institutes of Chartered Accountants in England and Wales, Scotland, Ireland and Australia signed agreements to offer *CPA WebTrust* to their memberships. Similar arrangements are being discussed with Institutes in Europe and on the Pacific Rim. These arrangements will extend awareness of the service across frontiers and open international opportunities for U.S. licensees. To keep licensed firms and their clients informed about program developments, we created a newsletter for these firms and one for them to send to their clients.

Virtually all observers believe an electronic seal will emerge as an industry standard. Governments in Europe and increasingly in the United States see *CPA WebTrust* as a potential solution to their desires to retain industry self-regulation. However, the CPA role in this area is not a given. As a profession and as individual members, we must be willing to compete with other seals in the marketplace. That we've employed top-notch advisers in Washington, D.C., and have over 160 CPA firms as licensees of the *CPA WebTrust* program (as of mid-May) are certainly positive trends.

Recently, the Institute introduced CPA ElderCare Services, a burgeoning practice area in which CPAs assure a level of care to elderly clients or their caretakers based on criteria and goals set by the clients or their families. The Institute has published reference material and created marketing tools for CPAs interested in entering this area. Other services under development include Systems Reliability (called "SysTrust") and Business Performance Measures (called "Performance Views"), both of which are scheduled to roll out in the next four to six months. A little later down the road there will be an assurance service called "Risk Assessment."

#### **What professional enhancements has the Institute created for members?**

Particularly important to members working in financial management, we launched the AICPA Competency Model for the New Finance Professional, a unique online self-assessment tool ([www.cpatoolbox.org](http://www.cpatoolbox.org)). This tool helps members identify what skills and knowledge they need for their current jobs and to achieve long-term professional goals. It will also help them understand what educational alternatives can help fill the gaps in their competencies. Suggested alternatives might include CPE, but they will also cover nontraditional approaches, such

as reading, CD-ROMs and on-the-job training. As another benefit to members in business and industry, the *Journal of Accountancy* has upped its page count by 24 pages per issue to address topics specifically tailored to this membership segment.

The AICPA has also moved to provide valuable resources and support for CPAs offering specialized services. For example, we created the National Accreditation Commission to identify, recognize, advocate and support new specializations in all areas of the profession using a proactive, market-driven approach. The NAC will provide rigorous oversight of AICPA accreditations, including the two existing ones – PFS and ABV. In addition, the Board of Directors has approved funding for an Investment Advisory Services Center to create training, regulatory compliance and other programs to help CPAs offer financial advisory services to new and existing clients. The AICPA Management Consulting Services Team has changed its name to the Consulting Services Team to clarify the nature of these services, broaden their definition and raise the visibility of this fastest-growing part of the profession.

To provide authoritative and non-authoritative guidance to help auditors identify and respond to warning signals of improper revenue recognition, the AICPA has published, among other guidance, *Audit Issues in Revenue Recognition*, which can be found on the Web site. We have also published a number of industry alerts on evolving areas this year as tools to help in the professional environment.

In the government arena, the issue of government auditor independence has been resolved, which means these members can issue audit reports under generally accepted auditing standards provided they comply with the proper Code of Professional Conduct Rules. In addition, the Institute created special guidance to help members meet disclosure requirements about Year 2000 issues mandated by the Governmental Accounting Standards Board and updated its member guidance on OMB Circular A-133 in light of y2k and the issuance of SAS No. 87, *Restricting the Use of an Auditor's Report*.

In academe, a task force of the AICPA Accounting Education Executive Committee is completing work on a Pre-Professional Competency Framework that should help educators align their curricula with the findings of the CPA Vision Process. The Institute has also created an alliance with the Federation of Schools of Accountancy and enhanced its alliance with Beta Alpha Psi, the honorary accounting student fraternity. AICPA student affiliate membership continues to grow, and we have developed a high school curriculum program aimed at educating students on the link between accounting and their everyday lives. A pilot roll-out to 2,000 schools is planned for this fall.

To ensure the skills and qualifications of those entering the profession, we are working to computerize the Uniform CPA Examination. The technology benefits should allow for testing of higher cognitive abilities and skills such as research, which cannot feasibly be tested in a paper and pencil environment. As part of our continuing efforts to strengthen minority participation in the profession, we kicked off an ad campaign that features celebrities accompanied by their valued CPAs.

### **How has the Institute addressed public policy issues of interest to members?**

We have much to be proud of in this area. Beginning last fall, the AICPA was victorious in a number of momentous legislative battles. For example, we played a key role in the passage of the IRS restructuring bill, a historic law that contains many changes advocated by the AICPA, such as an improved IRS management structure, better taxpayer service, tax simplification and greater taxpayer rights. As part of this landmark law, taxpayers also won uniform confidentiality protection for most tax advice from CPAs. We also helped gain House and Senate approval for the Securities Litigation Uniform Standards Act, which will help stop attempts to circumvent the 1995 Private Securities Litigation Reform Act. Congress also included AICPA-endorsed provisions in a broad credit union membership law. The provisions were important because the National Credit Union Administration was allowing non-licensed auditors to audit federal credit unions' financial information—a direct contravention of most state accountancy statutes.

Early this year, the AICPA released a comprehensive, non-partisan analysis of the major options for Social Security reform, *Understanding Social Security: The Issues and Alternatives*. We want to offer the profession's insights and expertise as an aid to Congress in what is expected to be a complex and contentious debate.

Not only did we work with Congress, we also supported the election of representatives who are or would be receptive to the profession's public policy viewpoints. The Effective Legislation Committee, the profession's political action committee, made financial contributions to 313 candidates in last Nov.'s elections and was successful in 289 of those races. One of the primary initiatives of AICPA Chair of the Board Olivia F. Kirtley is the Political Leadership Cabinet, which is made up of 23 politically savvy CPAs. Among its other goals, it will provide political counsel for the Board of Directors, the ELC and the congressional and political affairs staff of the Institute.

The AICPA also established that its actions can play a key role in assuring understandable financial statements and strong capital markets. Last fall, SEC Chairman Arthur Levitt criticized "earnings management," which he said occurs when "earnings reports reflect the desires of management rather than the underlying financial performance of the company." Several of the initiatives he outlined for solving this problem are ones the Institute already had under way, including publishing information to help users, preparers and audit committees better understand revenue recognition as well as the Auditing Standards Board's continued enhancement of the audit process. Numerous ethics interpretations were issued during the year to more effectively deal with evolving practice issues in the independence area. We continue to actively support the Independence Standards Board and have been outspoken on the need to modernize rules on new marketplace issues.

As we make our voice heard on domestic policy and regulatory issues, our interest in international standards remains high. For example, the AICPA recently offered comments on an International Accounting Standards Committee Discussion Paper, *Shaping IASC for the Future*. We support the IASC's efforts to improve its processes so that it can develop effective standards.

### What has the Institute done to improve its own operations?

This has been a year of meaningful and very positive change for the Institute. For example, given the importance of life-long learning in the CPA Vision effort, we are restructuring our CPE operations to expand and enhance offerings to members. We purchased the continuing education division of the Professional Development Institute, one of the nation's largest providers of CPE for CPAs, so we can strengthen our consulting and management courses. A new AICPA/PDI unit has been created in PDI's current Texas location. To improve our efforts to help CPAs compete against other financial service providers, we recently purchased Practitioners Publishing Company's seminar business series. We have also outsourced most of our printing needs so there could be on-demand printing of course materials.

We received an endorsement for our efforts to strengthen CPE when ratings for AICPA seminars reached an all-time high this year, both for materials and discussion leaders. While we work to enhance CPE, we have also decided to leave the software development business. After careful study, we chose to sell our ATB and Depreciation software lines to a highly respected software development company.

Another exciting development is the AICPA knowledge management initiative—an effort to allow AICPA staff, committees and ultimately all members to share information and maximize effectiveness through the AICPA KnowledgeNet, which is now in development. To keep pace with changes in technology and to enhance its service to members, AICPA Library Services is in the process of re-engineering itself to be the Center for Knowledge and Research Services, an electronic resource.

### What is your assessment of the profession's future?

This is a dynamic time for our profession, and we are well poised to enter the next century. CPAs are visionaries—people who can analyze complicated business and financial information and develop successful strategies for the future. Together, we can work to envision our future and to understand how members can take advantage of the many professional opportunities that await them.

## Member Benefits That Should Not Be Missed

### Information Needs

The **AICPA Library Services Division** is changing its name to the **Center for Knowledge and Research Services**. The CKRS will focus its services around three major objectives: serving as the library of record for the CPA profession; serving as a critical broker of third-party information services; and providing value-added market research and analysis for members and staff. The CKRS is upgrading its Web page to provide valuable links to free and fee-based sites as part of its third-party information services role. Contact the Library/CKRS by phone, 888/777-7077; by fax, 201/938-3955; or by e-mail, [library@aicpa.org](mailto:library@aicpa.org).

The **Center for Excellence in Financial Management** is an interactive resource that can help members involved in financial management retool their current skills. CEFM integrates the concepts of the New Finance—a multidisciplinary, cross-functional body of knowledge covering the management process, technology and resources that reflect the expanded body of knowledge of today's CPAs in finance. To learn more, visit [www.aicpa.org](http://www.aicpa.org), call 212/596-6157 or fax 212/596-6025.

The **Technical Information Hotline** offers answers to member queries about accounting, financial reporting, auditing, attestation and accounting and review services. Members may access this free service by calling 888/777-7077.

The **Professional Ethics Division's Ethics Hotline** offers valuable information and can act as an ethics sounding board to members who face ethics issues in their practices and to members who are not in public practice. The hotline's toll-free number is 888/777-7077.

The **AICPA Fax Hotline** gives members 24-hour, seven-day access to pertinent professional information via a fax machine. Dial 201/938-3787 from a fax machine, follow the voice cues and then key in the appropriate document number.

**AICPA Online** ([www.aicpa.org](http://www.aicpa.org)) offers members immediate access to news about the latest developments affecting the profession, as well as a convenient way to join the Institute or learn about products and services. It provides tax insights and valuable information on standards and other technical matters, as well as news about conferences and state developments and a storehouse of current and past member publications. The site is undergoing reconstruction to improve its value to visitors. Watch for the new site early this summer.

### Special Assistance

The AICPA established the **Benevolent Fund** to assist members and their families during periods of financial difficulty caused by serious illness, accident, death or other major misfortunes. 201/938-3490.

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As a benefit of membership, the AICPA has arranged for members to receive special pricing from leading providers of professional, personal and property insurance, as well as products and services for the office and home. Using the Institute's considerable group buying power, these programs offer discounts that would otherwise be unavailable to individual members. Some offerings extend the benefit to members' spouses and families.

### Insurance/Retirement Programs

The AICPA insurance and retirement programs are among the Institute's most popular member benefits. They provide our members with competitively priced products that are overseen and monitored by member committees.

## Insurance Plans

**Term-Life Insurance**—up to \$1.5 million in coverage. Includes a Group Variable Universal Life Insurance Plan with mutual fund investment opportunities. Spouse life insurance of up to \$1.5 million is also available.

**Long-Term Disability Income Plan**—provides monthly payments of \$1,000 to \$10,000, depending on earnings and other coverage.

**Group Insurance Plan**—up to \$500,000 in term-life insurance plus accidental death and dismemberment benefits for owners and employees of CPA firms.

**Long-Term Care Insurance Program**—for eligible members, their spouses, parents and parents-in-law who are under 80 years old.

The above plans are underwritten by Prudential Insurance Company of America.

**Personal Liability Umbrella Security**—provides CPAs with up to \$5 million in coverage for injury and property damage claims that exceed primary automobile, homeowners' or renters' coverage. Underwritten by TIG Insurance Company.

The phone number for all the above services is 800/223-7473.

**AICPA Professional Liability Insurance Plan**—protection of \$100,000 to \$20 million for members in public practice against compensatory damages related to professional services. Underwritten by CNA Insurance Companies. 800/221-3023.

**Medicare Supplement Plan**—for members and spouses 65+ with no physical exams or health questions required. Underwritten by Life Investors Insurance Company of America. 800/957-3195.

**Vehicle Insurance Plan**—preferred rates for members with safe-driving records. 800/847-2886.

**Home Insurance Plan**—full replacement cost coverage and comprehensive personal liability protection. 800/847-7233.

The vehicle and home insurance plans are underwritten by National General Insurance Company.

Aon Insurance Services, Inc., is the broker/administrator for all of the AICPA's member insurance programs and plan agent for the AICPA Insurance Trust.

## Retirement Plans

**Retirement Programs**—defined contribution plans from T. Rowe Price, including money purchase, pension, profit-sharing, 401(k), and SEP IRAs for proprietors, partners, professional corporations, and employees; for members in public accounting and business and industry. 800/38-AICPA.

**Variable Annuity Plan**—Great-West Life & Annuity Insurance Company offers AICPA members a non-qualified variable annuity which, under current tax laws, allows contributions to grow tax-deferred. Call 800/355-1608, ext. #16. [www.life-insurance-service.com/aicpa/](http://www.life-insurance-service.com/aicpa/).

*Securities, when offered, are offered through BenefitsCorp Equities, Inc., a wholly owned subsidiary of Great-West. May not be available in all states. For more information on fees and expenses, request a prospectus.*

## Affinity Programs

**Airborne Express** lowers members' overnight shipping rates by up to 44%. Overnight letters cost only \$10.50 (\$9.50 if you use a drop box)—a significant discount from the published rates of competitive services. Additional discounts are available for high-volume shippers, as are savings on international shipments. 800/636-2377.

**Dell Computer Corporation** offers a 6% discount on Dell's PowerEdge file servers, OptiPlex desktops and Latitude CP laptops. AICPA members also save on DellWare software, accessories, services and peripherals. 800/568-8313.

**First USA Bank** provides the AICPA/First USA Card. A Visa Gold or Platinum Card has a low five-billing-period rate, followed by a low annual fixed rate. In addition, the AICPA/First USA Card offers "ValueMiles," a free airline travel program. Apply for the card by calling First USA directly at 800/254-0910.

**FrancoTyp-Postalia**, one of the world's leading suppliers of postage meters and mailing machines, offers members 10% off on all their mailing needs. Systems can accommodate mailers who process anywhere from 10 to 10,000 pieces of mail per day. For more information and a free needs analysis call 800/398-3886.

**Hertz Car Rental** has a 20% discount off Hertz's daily member benefit rates, plus a 5%-15% discount on weekend, weekly and monthly car rental rates. AICPA members also qualify for free annual membership in the Hertz #1Gold Club (a \$50 value). Special coupons and upgrades are available, too. For reservations call 800/654-2200 and refer to CDP #12353. For a free Hertz #1Gold Club Membership, call 800/336-2496.

**IBM** grants AICPA members a 7% savings on IBM Aptiva System Units, retail models of IBM ThinkPad, consumer monitors, printers, options and software lines. Call IBM at 800/426-7235 and refer to key code 5245 and your PIN AIC98.

**Intuit Software** confers an additional 10% off Intuit's lowest price for new orders of TurboTax ProSeries professional tax software and QuickBooks small business accounting software (note: renewal orders are not eligible). The AICPA discount is always in addition to any other discounts or promotions Intuit may already be offering. 800/433-4235.

**NETCOM** helps AICPA members receive up-to-the-minute Internet solutions to improve their communications and grow their businesses. With a wide range of business solutions from high-quality Dial-Up Internet access to high-capacity T1 dedicated lines, NETCOM has the services and support members need at special member prices. 800/251-7185.

**Norwest Mortgage** provides many cost-saving features, including competitive rates, a zero-point option and a no-cost 60-day rate lock option. All of these features come with the convenience of completing the entire application by phone, with a loan decision in as little as 24



hours. And, in many cases, closings can occur in as few as 15 business days from approval. 800/272-1210.

**Research Institute of America** (RIA Group) grants an additional 10% on new purchases of RIA tax research materials and 5% on renewal purchases of tax information products. Members also receive discounts on RIA electronic and print services, including RIA's highly acclaimed Internet-based tax research system, CHECKPOINT. 800/431-9025, ext. 3.

**RésuméMatch**, an online résumé referral and job posting service, allows AICPA member job seekers to post their résumés and search available jobs free when they register via the Web at [www.aicpa.org](http://www.aicpa.org). Registration by mail costs \$15. AICPA member employers can post jobs or conduct searches of available candidates at special "member only discounts" by calling 800/837-1804 directly.

**Robert Half International** provides substantial discounts on new temporary and permanent professional placement fees through Accountemps, Robert Half and RHI Management Resources. Save 10% off permanent placement fees for Robert Half; \$25 off each 40-hour Accountemps assignment (up to a maximum of \$100 for 160 hours or more), and \$50 off each 40-hour RHI Management Resources contract assignment (up to a maximum of \$200 for 160 hours or more). 888/744-4089.

**Sprint** helps cut long-distance bills by 5%. AICPA members can also take advantage of Sprint's "Fridays Free" program, which means that every call from your business phones, including incoming toll-free calls and every fax and wireless call, is free every Friday until the year 2000. It's also possible to earn points for valuable rewards by joining the Callers' Plus Rewards & Benefits Program. 800/953-4214.

**Standard & Poor's** offers 20% discounts on S&P Advantage, Advisor Insight and Planner Insight. Call 800/221-5277.

**Xerox** allows savings of up to 20% off Xerox products excluding service contracts, supplies and personal line copiers. Call 800/ASK-XEROX, ext. CPA (800/275-9376, ext. 272) and mention AICPA contract #0706109.

*continued from page 1—Economic Platform*

ground to competitors focused on striving to enhance the value and impact of their services.

To meet the increasing complexities of the global environment, the CPA profession must leverage its traditional products and services to higher value economic platforms. The Economic Platforms model in this year's *CPA Vision Report* and CD-ROM, *The CPA Vision: The Future Is in Your Hands*, describes the distribution and effect along this chain.

The most successful future for the profession lies in moving from traditional or foundation services, such as tax form and

financial statement preparation, to value-added consulting services, including business and estate planning, and performance measurement at higher Economic Platform

levels. A host of expanded, value-added services are available to the profession at these higher levels of Economic Platform performance.

CPAs can determine how they fit into the chain by reviewing

various models with challenging questions and innovative solutions. The CPA Vision Web site, [www.cpavision.org](http://www.cpavision.org), will soon offer detailed models that local firms, CPAs in business and industry, education, and government can use to help assess their levels of service and skills.

cpa vision  
process

"These working tools and models are designed so all CPAs can measure themselves against a series of objectives to determine how they fit into a larger economic scheme for the entire profession," says Gideon Malherbe, consultant to the CPA Vision Process. "While scientific in nature, these scenarios are simplistic and provide an immediate awareness so that firms, businesses and others can begin to make changes right away to their current service delivery."

Consequently, if your work falls lower on the economic value chain, revenue will be lower, and the higher your work is on the chain, the higher the revenue. This is the imperative for the profession to thrive in the knowledge-based, global economy.

## Innovative User, Lifetime Information Technology Awards Given

Michael W. Harnish, chief information officer of a law firm in Chicago, is the winner of the AICPA's 1999 Innovative User of Technology Award. Harnish was selected for conceptualizing and implementing a sophisticated extranet system for a client that has completely automated its loan transactions, encompassing work done within and outside of the client's firm nationwide. It has resulted in reducing loan transaction processing time by more than 400% and increasing the number of loans generated by the same number of employees by 500%.

Separately, Dana R. (Rick) Richardson of New Canaan, Conn., was recognized for his lifetime technical contribution to the profession.

Twenty state societies participated in this year's program, recognizing the accomplishments of their members. The judges

selected five regional award winners: Larry A. Rice Jr. - Southwest; C. L. "Rocky" Davidson Jr. - Southeast; Michael W. Harnish - Central; Linda Tryka - Northeast; and John D. Haynie - Northwest. In addition, four new categories were acknowledged: Innovative Educator - A. Faye Borthick of Georgia State University; Innovative User in Government - Lt. Col. Gregory L. Morgan of the United States Air Force Academy; Innovative User in Public Practice - Mark S. Zettlemoyer, representing the firm Reinsel & Company LLP; and Innovative User of Technology for a Commercial Product - Dwight L. Aitken and Roger L. Dodge of Dodge Aitken & Co. CPAs L.C.

Applications are now being accepted for next year's Innovative User of Technology Award. For more information, contact Nancy Cohen by phone at 212/596-6010 or e-mail [ncohen@aicpa.org](mailto:ncohen@aicpa.org).



Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated*

- David Hersh of Roswell, Ga., effective Mar. 8, 1999, in lieu of revocation, surrendered his permit to practice and certificate to his state board of accountancy.

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- Joseph P. Galluzzi of South Orange, N.J., effective Feb. 24, 1999, after having been found guilty of frauds and swindles; fraud by wire, radio or television; scheme or artifice to defraud; theft or bribery concerning programs receiving federal funds; interstate and foreign travel or transportation in aid of racketeering enterprises.
- Hjalmar J. Rathe of Portland, Ore., effective Mar. 23, 1999, after having been found guilty of false statements, conspiracy to commit bankruptcy and tax fraud, principals and concealment of assets/false oaths and claims.

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- Joseph F. Bevacqua of Long Beach, Calif., settled charges on Mar. 2, 1999, of violating Rule 102 - Integrity and Objectivity of

## disciplinary actions

the AICPA Code of Professional Conduct for knowingly misrepresenting facts. Without admitting or denying the charges, Mr. Bevacqua agreed to be expelled from membership in the AICPA.

- Raymond R. Rausch of Chicago settled charges on Mar. 10, 1999, of violating Rule 501 - Acts Discreditable of the Code of Professional Conduct of the AICPA and the Illinois CPA Society (ILCPAS) by failing to comply with the directive of a hearing panel of the Joint Trial Board, effective Sept. 15, 1997, to complete 80 hours of specified CPE and to submit a work product for review. Without admitting or denying the charges, Mr. Rausch agreed to be expelled from membership in the AICPA and the ILCPAS.

- William J. Hebding of Gunersville, Ala., settled charges on Apr. 5, 1999, of violating AICPA Bylaw 7.4.6 by failing to respond to communications from the Professional Ethics Division. Without admitting or denying the charges, Mr. Hebding agreed to be expelled from membership in the AICPA.

### Firm Terminated from Peer Review Program

Effective Feb. 12, 1999, the firm of Armando Figueroa-Toro in San Juan, Puerto Rico, was terminated from the AICPA peer review program for failure to complete corrective or monitoring actions required as a condition of the acceptance of the firm's most recent peer review. The firm waived its right to a hearing.

**NEW — *Solo Practice: An Owner's Manual for Success*** (No. 090463CLD6) will help sole practitioners develop a more successful accounting practice. For the first time, practice management techniques used by the nation's top sole practitioners are brought together in one publication. Each chapter includes numerous case studies and real life examples that will help you to implement its practice-building strategies. *Solo Practice* provides you with the tools you need to retain a client who seems to be outgrowing your firm's abilities, redirect your marketing efforts to attract the type of clients you want, get more referrals from your present clients, increase your firm's productivity, and more. Price: \$47.95 member, \$59.95 non-member.

## now available

**UPDATED for 1999 — *Management of an Accounting Practice (MAP) Handbook*** (No. 090407CLD6) contains more than 1,700 pages of hard-hitting guidance on how to manage a practice. This three-volume *MAP Handbook* is the most comprehensive practice management resource available today, covering such topics as new issues and strategies in marketing, billing and collection; practice valuation; professional liability; forms of practice; office technology; client engagements; human resource laws and regulations; and more. The *MAP Handbook* now offers you an unprecedented way to save time—you will get a CD-ROM that includes over 100 of the handbook's exhibits, containing the letters, forms, agreements and checklists used most frequently. With the CD-ROM, you can produce personalized documents in a minimal amount of time. Updated annually. Now save 20%. Price: \$100 member (regularly \$125), \$110 non-member (regularly \$137).

**NEW—*Assurance Services Alert: CPA ElderCare Services-1999*** (No. 022231CLD6). Developed to address the overwhelming interest in CPA ElderCare Services, the Alert serves both as an introduction of the service to those who are unfamiliar with it as well as an update on important new developments for those who have expanded their practices to include such engagements. Among the topics covered in the Alert are: description and discussion of what constitutes ElderCare services, FAQs about ElderCare services, professional standards applicable to ElderCare services, a 1999 Medicare Update, application of Roth IRAs in ElderCare planning, a case study and much more. Price: \$12.95 member, \$18.50 non-member.

**DISCOUNT—*Accounting Trends and Techniques*** (No. 009890CLD6) contains significant accounting presentations, discussions and trends—many of them illustrated with excerpts and tables. Learn the most current terminology and explanatory language used in auditors' reports. See how your accounting and reporting techniques measure up to those used in recently published annual reports. Order now and save 40%. Price: \$47.40 member (regularly \$79), \$59.40 non-member (regularly \$99).

**To order, write: AICPA Member Satisfaction Team, CLD6, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Prices do not include shipping and handling. Have membership number ready.**

## AICPA Proposes International Accounting Standards Setting Body of the Future

In a letter to the Secretary of the International Accounting Standards Committee, the AICPA provided its vision of an international accounting standards-setting body. The letter, signed by AICPA Chair of the Board Olivia F. Kirtley and AICPA President & CEO Barry Melancon, describes the Institute's vision of an international standard-setting body as: independent; unaffiliated with any professional organization, country or national standards setter; with a membership of highly skilled, experienced professionals from varied backgrounds. The body would be overseen by a board of trustees that would appoint its members, develop fund-raising strategies, and provide general oversight and direction.

The letter goes on to say that IASC should acknowledge the goal of an independent standards-setting structure. If the IASC is unable to adopt such a structure immediately, it should consider additional changes through a formal structure review process within five years.

Also addressed in the letter are funding issues for the IASC, the authority of the proposed board of trustees, and coordination with national standards setters and regulators.

The letter was written in response to a request for comments on an IASC discussion paper that was issued last Dec. For the complete text of the AICPA's letter, visit [www.aicpa.org](http://www.aicpa.org). The IASC proposal can be found at [www.iasc.org.uk](http://www.iasc.org.uk).

## Compensation Practices Survey Now Online for Small- and Medium-Sized Firms

As part of its continuing effort to provide value-added services to members, the AICPA in conjunction with Organization Resources Counselors Inc. is conducting an online survey to gather compensation data on CPAs and non-CPAs in small- and medium-sized public accounting firms. The survey looks at seven benchmark professional accounting jobs (CPA and non-CPA status) and 11 compensation-related practices.

What makes this survey different from others, besides it being completely electronic, is that it will explore market data in a market niche where data is hard to find, as well as look at maturity curve data showing average salaries by year of graduation. It also features career level benchmark data for several job families; CPA vs. non-CPA job comparisons; and reports specific to each participant's input (e.g., data by location, demography, firm size and composition of pay elements such as profit sharing).

Through this survey, firms will find out pay differences between CPAs and non-CPAs, pay practices for various professional specialties, pay progression's links to experience levels, and trends in pay

delivery forms.

Data input to the survey **must** be completed and sent via the Internet or e-mail by July 15. Each firm should submit only one electronic survey form. Reports will be available by Sept. 1. ORC will contact each participating firm by e-mail with a username and password to access its report (available only to that particular firm at the Web site). Note that the information is secured and confidential. Again, only small- and medium-sized firms are eligible for participation. The standard report will cost \$150 for participants and \$375 for non-participants. System requirements: Windows 95 or higher.



To participate in the survey: [www.aicpa.org](http://www.aicpa.org); follow instructions



For electronic, software or Internet questions about the survey: Barry Blackhurst at [bblack@equidata.com](mailto:bblack@equidata.com)



Questions on survey content, timing or compensation: Mary Cortesi at [mary.cortesi@orcinc.com](mailto:mary.cortesi@orcinc.com)

## Video Available to Help Address Problems with Employee Benefit Plan Audits

*A Wake Up Call - 1999, Audits of Employee Benefit Plans* (No. 013801CLD6) is a video developed by the AICPA and the U.S. Department of Labor to inform CPAs about the uniqueness and risks associated with performing audits of employee benefit plans.

Practitioners whose work is considered deficient by the DOL could be referred to state licensing boards and/or to the AICPA Professional Ethics Division. If found to have performed deficient employee benefit plan audits, practitioners could also

face such severe consequences as loss of license and loss of AICPA membership.

The video, which is being shown at various state CPA societies, covers the role and importance of independent audits in the private sector pension system, peer review findings, the DOL's quality review findings, and the unique aspects of plan audits and best practices. Members can purchase the video from the Member Satisfaction Center (see page 10; price: \$20 member, \$25 non-member).

regulatory  
matters

## Forum on Staffing to Be Held in October

The AICPA Forum on Staffing Issues, sponsored by PCPS, is being held on Oct. 25-26 in Las Vegas. The forum will tackle a timely and critical issue for the accounting profession—staffing. Small- and medium-sized firms struggling with staffing challenges will learn innovative strategies to acquire and retain quali-

fied personnel. The pre-conference optional session on Sunday, Oct. 24, provides small interactive sessions on strategy necessary before making staffing changes. Recommended CPE credit: 16 hours. To receive a brochure or to register, call the Member Satisfaction Center (see page 10).

## New AICPA Web Site to Offer an Improved, Personalized Visit

Striving to meet the high expectations of users and believing in the importance of its Web site as an essential tool in serving members, the AICPA will be re-launching *AICPA Online* ([www.aicpa.org](http://www.aicpa.org)) early this summer. The new Web site's features will provide an enhanced online experience for all visitors.

The revamped AICPA Online will have, among other features, visitor recognition. All users who log in, both members and non-members, will be recognized by name and will be provided content and product pricing designed just for them, including discounts based on member type. This capability will allow the Institute to create online communities, with content and online tools targeted for specific user groups, such as members, section members and committee members. AICPA non-members will always have access to the public areas of the site.

To provide a better user experience, the site's 6,000 pages of content have been restructured. Using the framework of the profession's new Vision, the AICPA has constructed the site with new navigation elements. An improved graphic design further facilitates ease of use. The site also has improved searching capabilities—one search engine will run across the thousands of pages of Web content and the full online catalog. Search results will be integrated onto one page.

Another new feature of the site will be reSOURCE Online (see sidebar). With a Web browser and a subscription to reSOURCE Online, users can research the AICPA's professional literature any-time, anywhere.

Shoppers of the Online Store will be able to browse through the entire catalog and then pay for all their purchases at once, thanks to the "shopping cart" capability. Secure credit card purchases of products will be available to all users of AICPA Online, which bears the *CPA WebTrust*<sup>sm</sup> Seal. Customers will receive purchase confirmation e-mails and will have access to an online customer service Web page. Members will be able to purchase AICPA products and services 24 hours a day, seven days a week.

### Professional Literature to Be Online with New Web Site

Launching with our redesigned Web site will be reSOURCE: AICPA's Accounting and Auditing Literature Online. Available by subscription service, reSOURCE Online will provide timely and ongoing access to current and complete auditing and accounting guidance. It will offer the ease and convenience of the powerful Folio search engine for searching either within the literature or through the entire content of the site, complete linking within the professional literature titles, and smooth navigation through the publications. reSOURCE Online includes *Professional Standards*, *Technical Practice Aids* and *Audit and Accounting Guides*. The relevant audit risk alert will be provided with the purchase of the guide.

Subscribers will receive all new or revised material as it becomes available and at no additional cost. Subscribe through the Web site.

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# The CPA Letter

**AICPA**

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This issue of *The CPA Letter* is a combined edition for the months of July and August. The next edition of the newsletter will be published in the beginning of September.

## **CPA WebTrust<sup>SM</sup> News Update: New Version of Principles and Criteria Released; Guide to Auditors, Users of Third-Party Service Provider Audit Report Available**

Version 1.1, the newest version of the *CPA WebTrust<sup>SM</sup> Principles and Criteria*, has been released. The principal features of Version 1.1: (a) expand the illustrative business practice disclosures and illustrative controls of transaction integrity and information protection principles to include online banking and securities trading entities, (b) address year 2000 risks and modify the auditor's report accordingly, and (c) provide for direct reporting in the U.S. in accordance with recent amendments to Statement on Standards for Attestation Engagements No. 1 (*AICPA Professional Standards*, vol. 1, AT sec. 100). Version 1.1 is effective for reports dated on or after June 1, 1999. Version 1.0 should no longer be used following May 31, 1999, report dates. Those reports previously prepared under Version 1.0 should be updated to Version 1.1 at the next 90-day update. Version 1.1 may be downloaded at [www.aicpa.org/webtrust/princrit.htm](http://www.aicpa.org/webtrust/princrit.htm).

Questions regarding the WebTrust Principles and Criteria should be directed to Sheryl Weiner, WebTrust Team Leader, at 201/938-3751, or via e-mail to [sweiner@aicpa.org](mailto:sweiner@aicpa.org).

In another development regarding WebTrust, practitioners can refer to a new guide, *The AICPA/CICA Guide to Auditors and Users of a Third-Party Service Provider Audit Report in a WebTrust Engagement*, when a WebTrust client outsources some services or activities, or when these services or activities are otherwise performed by a third-party service provider (TPSP). Some retail Web clients rely on a TPSP, such as an Internet service provider or another third-party Web hosting service, to perform key processing and to administer site security. The guide, available now in draft and soon to

be finalized, provides non-authoritative guidance to those performing examinations at the TPSP level to provide assurance to WebTrust clients and their auditors about TPSP controls. It also discusses the kinds of professional judgments necessary when deciding such matters as whether to rely on the work of another auditor and the form and content of procedures to be performed when relying on the work of another auditor, and the form and content of the WebTrust auditor's report in these circumstances. For the draft version of the guide, visit [www.aicpa.org/webtrust/index.htm](http://www.aicpa.org/webtrust/index.htm).

An article on congressional testimony and Federal Trade Commission briefings about e-commerce and the WebTrust assurance service appears on the back cover of this newsletter.

**assurance  
services**

## **Exposure Draft of SysTrust Principles and Criteria Issued**

An exposure draft of the *AICPA/CICA SysTrust<sup>SM</sup> Principles and Criteria for Systems Reliability* will be issued by the AICPA/CICA Systems Reliability Task Force in mid-July on the AICPA Web site. Comments will be due 45 days from issuance of the exposure draft.

SysTrust, one of the assurance services identified by the Special Committee on Assurance Services, is a service crafted under the attestation standards in which the CPA performs procedures to determine whether the controls over a system are operating with sufficient effectiveness to enable the system to function reliably. A reliable system is defined as one that is capable of operating without material error, flaw or failure during a specified period in a specified environment. The proposed SysTrust Principles and Criteria will serve as objective and measurable criteria against which the assertion or subject matter of the engagement can be evaluated as required for all attestation engagements. The exposure draft will be available on the AICPA Web site at [www.aicpa.org](http://www.aicpa.org). It is anticipated that the SysTrust service will be launched later this year.

*continued on page 4*

## Vice Chair Appears on Nightly Business Report to Discuss Corporate Accounting Issues

AICPA Vice Chair Bob Elliott appeared on a special edition of the PBS television program *Nightly Business Report* on May 31. "A Look at the Books: Is There a Crisis in Corporate Accounting?" featured Elliott participating in a panel discussion with experts from the financial community.

Institute leadership was invited to appear on the show to present the profession's viewpoint on this important issue. The Media Relations Team helped prepare Elliott for the taping of the program.

## Membership Cards of Long Ago Contain Reassigned Phone Numbers

Members should be aware that AICPA membership cards provided many years ago contain phone numbers that are no longer valid. In fact, in some cases, numbers have been reassigned to private households.

A comprehensive "Directory of Services" is featured twice a year in *The CPA Letter* (see page 5 in this issue). It also runs on a regular basis in the *Journal of Accountancy*. Members should use the phone/fax numbers on this list and not reference the potentially outdated numbers.

## Making Headway on Uniform Accountancy Act

During this year there has been major legislative/regulatory activity on the new *Uniform Accountancy Act*. Several states, including Arkansas, Arizona, Maine, Maryland, Nebraska, New Mexico, North Carolina, North Dakota and Virginia, have enacted core provisions of the Act. In addition, legislation is pending in Illinois, Louisiana, New Hampshire, New Jersey, New York, Oregon and Rhode Island.

On a related matter, 48 jurisdictions have passed the 150-semester hour requirement for future CPAs. The six that have not yet passed it are California, Delaware, Minnesota, New Hampshire (pending), Vermont and the Virgin Islands.

## Practice Alert 99-2 Issued This Month

Practice Alert 99-2, *How the Use of a Service Organization Affects Internal Control Considerations*, has been issued. The alert is included in copies of this newsletter being mailed to members in public accounting. Members in other segments wishing to obtain a copy should visit [www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm) (go to July/August *CPA Letter*) or dial 201/938-3787 from a fax machine and key in document no. 1566.

## AICPA Annual Members' Meeting to Be Held October 19

The AICPA's Annual Members' Meeting will be held on Tuesday, Oct. 19, at the Sheraton Seattle Hotel and Towers in Seattle. Council will meet all day on Monday, Oct. 18, and Tuesday, Oct. 19. An orientation session for incoming Council members will be held on Sunday morning, Oct. 17.

Members are invited to observe Council's deliberations. CPE will be provided, as appropriate, depending upon the content of the final agenda. For information, contact the Meetings & Travel Team at 201/938-3232.

## Corporations Can Earn a Deduction for Donating Inventory

Excess or overstock merchandise, such as goods that are not selling, have been discontinued or will not move for other reasons, can be turned into a federal income tax deduction when donated to charity. The deduction is claimed under Section

170(e)(3) of the IRC and in some cases can be as much as twice cost. For a free guide to this deduction, call the nonprofit National Association for the Exchange of Industrial Resources at 800/289-4551.

## "CPA" Logo Golf Balls Help Promote the Profession

Members' use of the "CPA" logo on business and promotional material, including letterhead, envelopes, business cards, brochures, newsletters and other items (see page 8), increases the visibility of the profession's designation and reinforces the messages of the national image-enhancement campaign. Among the gift and giveaway items available are Spalding Top-Flite XL golf balls. With inventory increased in anticipation of the golf season, delivery can be expected within 2-3 weeks of receipt of the order.

To purchase the golf balls, or any of the other items offered, use the CPA Accessories Collection Order Form that appears on page 6 of this newsletter (the form may be photocopied). The form also is available from [www.aicpa.org/store/biggame.htm](http://www.aicpa.org/store/biggame.htm). Please be advised that Big Game Outfitters does not have copies of the merchandise order form.

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting Standards Executive Committee:** July 27-28, Colorado Springs, Colo.

**Auditing Standards Board:** July 20-22, New York

**Professional Ethics Executive Committee:** Aug. 12-13, Montreal, Canada

### Other meetings

**Peer Review Board:** Aug. 2-4, Toronto, Canada

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Geoffrey L. Pickard, Vice President—Communications

Ellen J. Goldstein, Editor e-mail: [egoldstein@aicpa.org](mailto:egoldstein@aicpa.org)

## Exposure Draft of Proposed SOP Issued on Accounting and Reporting of Certain Employee Benefit Plan Investments and Other Disclosure Matters

An exposure draft of a proposed statement of position, *Accounting and Reporting of Certain Employee Benefit Plan Investments and Other Disclosure Matters* (No. 800129CLD7), has been issued. The exposure draft was prepared by the AICPA's Employee Benefit Plans Committee and the Accounting Standards Executive Committee.

This proposed SOP would amend the AICPA Audit and Accounting Guide *Audits of Employee Benefit Plans*; SOP 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Plans*; and SOP 92-6, *Accounting and Reporting by Health & Welfare Benefit Plans*. This proposed SOP simplifies disclosures for certain investments and would supersede AICPA Practice Bulletin 12, *Reporting Separate Investment Fund Option Information of Defined Contribution Pension Plans*.

Comments are due July 17 and should be addressed to Wendalyn Frederick, Technical Manager, Professional Standards and Services, File Q511, AICPA, 1455 Pennsylvania Avenue, NW, Suite 400, Washington, DC 20004-1081. Responses may also be sent via e-mail to [wfrederick@aicpa.org](mailto:wfrederick@aicpa.org).

Copies of the exposure draft can be obtained from the Member Satisfaction Center (see page 9; first copy is free). The exposure draft can also be found on the AICPA's Web site at [www.aicpa.org/members/div/acctstd/edo/exdrfop.htm](http://www.aicpa.org/members/div/acctstd/edo/exdrfop.htm).

## Amendment 1 to Government Auditing Standards Issued

On May 13 the first amendment to the 1994 version of *Government Auditing Standards*, the "Yellow Book," was issued. The new standard, *Government Auditing Standards: Amendment No. 1, Documentation Requirements When Assessing Control Risk at Maximum for Controls Significantly Dependent Upon*

*Computerized Information Systems (GAO/A-GAGAS-1)*, establishes a new field work standard requiring documentation in the planning of financial statement audits in certain circumstances. The standard is effective for financial statement audits of periods ending on or after Sept. 30, 1999.

Specifically, the new standard requires auditors to document in the working papers the basis for assessing control risk at the maximum level for assertions related to material account balances, transaction classes, and disclosure components of financial statements when such assertions are significantly dependent on computerized information systems. The new standard also requires auditors to document their consideration that the planned audit procedures are designed to achieve audit objectives and to reduce audit risk to an acceptable level. In addition, the standard revises the section entitled "Internal Control" in chapter 4 of the 1994 Yellow Book.

The standard also incorporates, where applicable, conforming changes to recognize the effect of the AICPA's Statement on Auditing Standards No. 78 on *Government Auditing Standards* for internal control. These changes principally consist of updating terminology to conform with SAS No. 78 and deleting guidance that is addressed in SAS No. 78, which was issued after the 1994 version of *Government Auditing Standards*.

An electronic version of the standard can be accessed through GAO's Internet Home Page ([www.gao.gov](http://www.gao.gov)) from the GAO Policy and Guidance Materials or the Special Publications sections of the GAO site, or directly at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm). This site also contains a new electronic version of *Government Auditing Standards* which codifies the new standard by reflecting changes made resulting from the issuance of these amendments.

Printed copies of the standard can be obtained from the Superintendent of Documents at the U.S. Government Printing Office in Sept. by calling 202/512-1800 or accessing the GPO Internet site at [www.gpo.gov](http://www.gpo.gov) for ordering information.

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## AICPA Variable Annuity Update

Members who have an AICPA Variable Annuity can now access their accounts by phone. Through KeyTalk®, an automated information and transaction system, you can: obtain your current account value; transfer funds between investment options; change the allocation of your ongoing contributions; personalize your PIN; request a new PIN; or access KeyTalk® by calling 800/701-TALK (8255) or by calling the AICPA Annuity Service Center at 800/355-1608 and selecting option 2.

Separately, Maxim Series Fund, Inc. has solicited proxies of contract owners with allocations to the Maxim Growth Index Portfolio. The proxy informs contract owners of proposed changes to the investment objective of that portfolio and related changes to the portfolio's fundamental investment restrictions.

Currently the portfolio seeks to mirror the Russell 1000 Growth Index. If the proposals are passed at the June 25, 1999, shareholders meeting, the portfolio will then seek to track the total return of the common stocks that comprise the S&P/Barra Growth Index.\*

Members interested in obtaining information about the AICPA Variable Annuity should call 800/355-1608, ext. 19, to request a free information packet. Or, visit [www.aicpa.org/members/affinity/index.htm](http://www.aicpa.org/members/affinity/index.htm).

\*Standard & Poor's S&P/BARRA Growth Index is a trademark of the McGraw-Hill Companies, Inc. and has been licensed for use by Maxim Series Fund, Inc. The Maxim Growth Index Portfolio is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of using this index.

Annuity contracts are issued by Great-West Life & Annuity Insurance Company. Securities, when offered, are offered through BenefitsCorp Equities, Inc., a wholly owned subsidiary of Great-West. The contract may not be available in all states. A group deferred variable annuity, contract form J438. For more information about the AICPA Variable Annuity, including fees and expenses, request a prospectus and read it carefully before investing.

member  
news

continued from page 1 — Assurance Services

## Service on Business Performance Measures to Launch This Fall

"CPA Performance View," a new service focusing on business performance measures, is under development by the Assurance Services Business Performance Measures Task Force. It is anticipated that the launch of the service to AICPA members will take place in Sept.

CPA Performance View is a process of developing key performance indicators that can be tracked over time to assess the progress organizations make toward achieving their strategic objectives and goals. It focuses on critical financial and non-financial measures that are predictive in nature and often assist management in making organizational changes and enhancements that are necessary to attain increased organizational value.

Supported by a practice guide complete with practice aids; a reporting and monitoring software package; and a training program featuring process training, software training and marketing/implementation training, CPA Performance View is targeted for delivery to CPAs' current clients as a way to increase the quality of information available to management for decision making. The objective of the service is to assist clients in increasing the value of their organizations. Look for the practice guide, software and training courses in early Sept. For more information on CPA Performance View, contact Tom Wagner, Technical Manager-Assurance Services, at:



212/596-6175



twagner@aicpa.org

## AICPA Provides Tools to Help Members Succeed in Offering ElderCare Services

Given the aging population of America, ElderCare is fast becoming an area of enormous possibilities that can translate into a lucrative business for CPA firms. A complete array of products is offered to help members succeed in this area.

First, there are several CPE courses. **Assurance Services: ElderCare** (No. 732032CLD7) is a self-study introductory course that focuses on how to establish the ElderCare engagement, how to report on it and how to deal with special client requests. Materials include selected PPC practice aids. Recommended CPE credit: 2 hours. Price: \$49 member, \$61 non-member. **ElderCare: Practice Management and Practice Development Issues in CPA ElderCare Services** (No. 731402CLD7) addresses practice issues unique to this service. The course includes case studies, practice aids and checklists. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member. **ElderCare: The Medical and Psychosocial Issues of Aging** (No. 731403CLD7) gives the ElderCare practitioner a working knowledge of the most common physical and psychological effects of aging. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member. **ElderCare: The**

**Financial Issues of Aging** (No. 731400CLD7) addresses the most pressing issue for all elderly Americans — being able to afford the type of care best for them. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member. **ElderCare: The Legal Issues of Aging** (No. 731401CLD7) covers powers of attorney, living wills and other legal issues related to the elderly. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member. **Developing an ElderCare Practice** (No. 730070CLD7) provides an overview of the service and outlines the steps that the CPA will need to take to get started in an ElderCare practice. Recommended CPE credit: 8 hours. Price: \$119 member, \$149 non-member.

In addition to the CPE courses, there is a practice guide, a marketing toolkit and an alert. **CPA ElderCare: A Practitioner's Resource Guide** (No. 022504CLD7) equips CPAs with the knowledge of key concepts, specialized techniques and extensive resources. The guide includes two PowerPoint presentations, a sample marketing brochure, the latest Medicare updates, federal and state specific information, answers to frequently asked questions and sample documents. Price: \$99 member, \$124 non-member.

The **CPA ElderCare Marketing Toolkit** (No. 022508CLD7) offers customizable, professionally prepared client brochures, advertisements and introductory letters. The toolkit contains materials for both older, adult clients and the families or caregivers of older, adult clients. All items in the set are on a CD-ROM (use QuarkXpress and Adobe Photoshop software or take to a local printer). Price: \$59 member, \$74 non-member.

Whether you need an introduction to ElderCare or want an update on important developments, the **Assurance Service Alert: ElderCare Services-1999** (No. 022231CLD7) provides a description and discussion of what constitutes eldercare services, FAQs about this service, professional standards applicable to eldercare services, and more. Price: \$12.95 member, \$18.50 non-member.

To order these ElderCare CPE courses and the publications, contact the Member Satisfaction Center (see page 9).



The CPA ElderCare Services logo

During the next couple of months, the ElderCare Task Force will be developing a Competency Model and a Body of Knowledge for ElderCare practitioners. More information should be available on the AICPA's Web site later this summer.

For more information on CPA ElderCare Services, contact:



Ann Sammon, Technical Manager, 212/596-6142



asammon@aicpa.org



## AICPA. . . Where to Turn

All address and job change information should be mailed, faxed or e-mailed to the Member Satisfaction Center in NJ. (*The CPA Letter* and *Journal of Accountancy* will automatically be updated. Indicate any other AICPA subscriptions that you have.)

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## CPA

Item #	Price
73157	\$30.80
Lee Crossgrain Heavyweight Crewneck Sweatshirt 95% Cotton 11oz. Material, Sizes: S, M, L, XL	

Item #	Price
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Sizes: S, M, L, XL	
Back Shown; Logo On Front	

Item #	Price
6374	\$13.75
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Item #	Price
CC12	\$8.45
11oz. Ceramic Coffee Mug	

Item #	Price
LP1-P (Post Back)	\$2.80
LP1-S (Safety Back)	\$2.80
1/2" Lapel Pin	
Die-Cast Metal	

Item #	Price
6100	\$13.15
Pierre Cardin Pen	
Lacquer Finish With Gold Trim	

Item #	Price
395	\$8.50
Mouse Pad	
10"x11" Non-Skid Surface	

Item #	Price
5011	\$29.70
Outerbanks 100% Cotton	
Pique Knit 2" Droptail	
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2830	\$.90
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Item #	Price
TXL Spalding® Top-Flite® XL® Golf Balls	\$22.50/doz.

# CPA Order Form

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Tel. (978) 468-9759  
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**Ship To:**

Name \_\_\_\_\_

Firm or Organization

Street Address\*

City State Zip

Phone ( )

\*No P.O. Box, please.

### Shipping & Handling Charges

**Shipping & Handling Charges**  
These charges are in addition to the final sale price of the ordered items.

Order Amount	S&H Charges	Order Amount	S&H Charges
Up to \$5.00	\$3.67	\$60.01-\$80	\$9.75
\$5.01-\$20	\$4.75	\$80.01-\$100	\$10.75
\$20.01-\$40	\$5.75	\$100.01- \$250	\$15.75
\$40.01-\$60	\$7.75	Over \$250	7% of order
<b>Allow 6-8 weeks for delivery</b>	<b>Overseas please add \$10</b>	<b>UPS Ground Trac Delivery</b>	

<b>Item Description</b>	<b>Item Number/Size</b>	<b>Quantity</b>	<b>Total Price</b>
			Total Amount
			*Shipping Charges
<b>Paid By:</b>			**5% MA only Sales Tax <small>(not on food or clothes)</small>
<input type="checkbox"/> Check			Grand Total
<input type="checkbox"/> Money Order			

**Paid By:**

☐ Check☐ Money Order

 MasterCard  Visa

[illegible]

charge card number

exp. date				
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Please Complete:

AICPA Membership Number

Signature

**\*\*5% MA only Sales Tax**

Grand Total

Grand Total

Grand Total

\* Shipping charges order amount

**\*\* Sales Tax:** Only on non-clothing/  
non-food items with MA as the  
delivery destination

**Make check payable to Big Game Outfitters**

**U.S. Taxation of International Inbound Transactions and Operations of Foreign Businesses** (No. 731190CLD7) and **U.S. Taxation of International Outbound Transactions and Operations of U.S. Businesses** (No. 731180CLD7) are two new CPE courses on international taxation.

The Inbound Taxation course teaches you to successfully advise clients and complete U.S. tax reporting on U.S. international inbound transactions. Problems and examples are presented as well as further information on mergers, acquisitions and corporate transactions.

The Outbound Taxation course provides an understanding of the tax advantages and traps in conducting business abroad. Learn how to advise clients on outbound transactions and how to complete U.S. tax reporting transactions. Rules and the latest planning techniques and legislative changes are also discussed.

Each course offers 8 hours of recommended CPE credit and costs \$119 for members, \$149 for non-members.

**Joint and Individual Cost Allocations for Government and Not-for-Profit: How to Prepare and Audit Them** (No. 735000CLD7) helps prepare CPAs to fulfill the new indirect cost audit responsibilities contained in Circular A-133 revisions, the Compliance Supplement and SOPs 98-2 and 98-3. The course addresses the concerns of auditors in firms assisting clients in preparing joint and indirect cost allocations and performing audits of entities receiving federal grants and contracts. Recommended CPE credit: 8 hours. Format: text. Price: \$119 member, \$149 non-member.

To order these courses, contact the Member Satisfaction Center (see page 9).

CPE  
news

## GASB Votes Out New Rules for State, Local Governments to Report Infrastructure Information

For the first time, state and local governments in the U.S. will be required to report information about their infrastructure assets — roads, bridges — in their financial statements. The Governmental Accounting Standards Board on June 10 voted to issue the new rules (*The CPA Letter*, June).

The GASB said it has included many provisions in its new financial reporting guidelines to make it easier for governments to comply. For instance, all governments have a minimum of two years to get ready to publish the new financial statements, and smaller governments have as many as two additional years to prepare. Governments also have an additional four years to meet the new requirements for reporting infrastructure. To address concerns about the cost and difficulty of establishing an historical cost for existing infrastructure items, governments initially will report only major assets, and then only those built, acquired or significantly improved within the last 25 years. Furthermore, governments will be allowed to use certain methods to produce an *estimated* historical cost. In addition, governments with less than \$10 million in total annual revenues (in their first fiscal year ending after June 30, 1999) are exempted from reporting infrastructure information retroactively.



[www.gasb.org](http://www.gasb.org) for information on the new financial statement guidelines



GASB Order Department: 203/847-0700, ext. 555

## IFAC Issues Paper on Anticorruption; Appoints New CEO

The governing Council of the International Federation of Accountant has approved a discussion paper urging accountancy bodies worldwide to unite with other professions, the business community, governments, regulators and others in facing up to

the issues involved in the fight against corruption. Entitled *The Accountancy Profession and the Fight Against Corruption*, the paper emphasizes the detrimental effect that corruption has on a country's economic growth, capital market, culture and society and the impact that corruption at a local level has on the wider global scene. In doing its part, IFAC will be cooperating with worldwide organizations, such as the World Bank, International Monetary Fund, OECD, World Trade Organization and the United Nations in addressing the problem.

Separately, the Council announced that it has named Peter Johnston, currently chief executive and secretary of the Institute of Chartered Accountants of Scotland, as its new chief executive officer. He will be responsible for providing the strategic and management direction of the organization, which represents 143 member accountancy organizations in more than 100 countries.



For information and copies of pronouncements: [www.ifac.org](http://www.ifac.org)

## Exposure Draft of Proposed SAS on Auditing Financial Instruments Issued by ASB

The Auditing Standards Board has issued an exposure draft of a proposed statement on auditing standards, *Auditing Financial Instruments* (No. 800131CLD7). The proposed SAS would supersede SAS No. 81, *Auditing Investments*, and provide updated guidance on planning and performing auditing procedures for financial statement assertions about financial instruments. Comments are due Sept. 10. The ASB believes this guidance is needed because of the increasing use of financial instruments, accounting standards that require information about the fair value of financial instruments, and tendency for entities to use service organizations to manage activities involving financial instruments. The exposure draft is posted on [www.aicpa.org](http://www.aicpa.org); printed copies can be ordered from the Member Satisfaction Center (see page 9; first copy is free). The ASB also plans to issue a practice aid to help auditors implement the proposed SAS.

accounting  
& auditing  
news



By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

## Chair's corner

What do all members have in common? Answer: The opportunity to benefit from the AICPA's Center for Excellence in Financial Management, a virtual Center accessible through the AICPA Web site at [www.aicpa.org](http://www.aicpa.org).

And the Center is not for members in business and industry only. While the CEFM was initially developed for and is especially useful to this group, its value as a resource extends to all AICPA member segments.

Designed to be a focal point for financial management information, strategies and action-oriented techniques, the CEFM's goal is to be the resource of first choice for the profession. It is the place to go for understanding and implementing the revolutionary changes that have taken place in financial management and the expanding business roles and responsibilities of CPAs. It is the tool to help members meet the demands of an ever-changing

business environment. It is a way to become aligned with the CPA Vision to ensure your success as a strategic business adviser and key decision maker so you can help organizations thrive in the emerging global economy.

A Web-based resource, CEFM brings together all of the Institute programs, products, services, internal resources and external partnerships targeted in support of members in business and industry, as well as those involved in advising financial management functions. It also serves as a clearinghouse for professional education, research, benchmarking, publications and other resources. Furthermore, the CEFM leverages the collective knowledge of members in business and industry and develops liaisons with other accounting and business management associations to provide the widest and most diverse range of expertise available.

In delivering information to financial management professionals, the CEFM covers technical management accounting topics like cost management, including activity-based costing, target costing, cash flows, and capacity management as well as manufacturing issues like just-in-time production, distribution channels management, and competitive intelligence. It also features other topics such as benchmarking, performance measurement, cross-functional teams, business strategy and managing change.


Recent improvements and additions to the CEFM Web page include: direct links to the Competency Model for the New Finance Professional and Self-Assessment Tool; links to the various segments of the Center; much more financial management

information; more non-finance material (internal audit and management issues as well as information for strategic planners and business advisers); and links to other resources. According to a recent Robert Half International survey of 1,400 CFOs of companies with more than 20 employees, CFOs anticipate that almost 40% of their jobs will be non-financial by the year 2004. The Center provides a tremendous wealth of information and resources for our members as they expand their business involvement and reach.

Our own online visitor survey shows those who come to the Center are finding it worth their effort. Nearly 95% of visitors said the site contains relevant, useful information, and that they plan to be frequent users of the CEFM.

Looking ahead, plans to enhance the CEFM's value include "push" technology and listservs to enable users to continually and automatically receive information on topics they have selected, forums and chat rooms to help members network and share information, and new alliances to add to the knowledge base. Other considerations include "desktop CPE."

I encourage you to go to the site map, look around and explore all that is at your fingertips. As the Center was created to serve you – our members – I welcome your comments and suggestions for enhancements. We want the Center for Excellence in Financial Management to be your first choice in support of your ever-expanding roles in the business world.

 [okirtley@vacorp.com](mailto:okirtley@vacorp.com)



Stuart Smith, a CPA with a public accounting firm in Washington State, put the "CPA" logo on the roof of his race car. He said he wanted the logo to be visible to the audience, and that it helps to reflect who he is.

### Member Satisfaction Center

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888/777-7077



[memsat@aicpa.org](mailto:memsat@aicpa.org)



Voice Mail Box comments,  
888/999-9252

Under the automatic disciplinary provisions of the Institute's bylaws, the following member has had his membership:

—*Terminated* following denial by an ad hoc committee of the Joint Trial Board that the automatic disciplinary action not apply to his circumstance:

- Michael D. Bickel of Homewood, Ill., effective Mar. 10, 1999, after having been found guilty of bank fraud and making false statements to banks and the Small Business Administration.

—*Terminated* following revocation of his CPA certificate by his state accountancy board:

- Donald W. Ozenbaugh Jr. of Salinas, Calif., effective Apr. 5, 1999, in connection with his conviction for grand theft by false pretenses and taking of funds and property.

As a result of a decision by a hearing panel of the Joint Trial Board, the following member of the AICPA was:

## disciplinary actions

—*Admonished:*

- Harry L. Gelman of Newtown Square, Pa., effective May 26, 1999, for violating Rule 101-Independence of the AICPA Code of Professional Conduct in connection with professional services he performed for a review and audit client.

As a result of an investigation of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA society, the following ethics case was resolved by settlement agreement under the Joint Ethics Enforcement Program:

- James C. Powell Jr. of Dallas settled charges on May 6, 1999, of violating AICPA Bylaw 7.4.6 and Bylaw Article III, Section 8(d) of the Texas Society of CPAs (TSCPA) by failing to comply with directives of a letter of required corrective action. Without admitting or denying the charges, Mr. Powell agreed to be expelled from membership in the AICPA and the TSCPA.

**Information Technology Control Guidelines** (No. 090456CLD7), an acclaimed work from the Canadian Institute of Chartered Accountants' Studies and Standards, now in its 3rd edition, is applicable to all types of enterprise models and provides reliable and well-documented direction and guidance on the security and control issues of existing and emerging technologies. Through straightforward commentary, example and illustration, this practical resource will help you identify, understand, assess and implement IT controls; deal with the many and rapid changes in technology and the impact on security and control, such as impact on controls with the move from batch to real-time processing; organizational structures for managing modern information technology; and much more. Apply the principles to all types of platforms - PCs and mainframes and network techniques — LANs, MANs (metropolitan area networks) and VANs (value-added networks). Price: \$75 member, \$93.75 non-member.

**UPDATED. Tax Practice Management** (No. 029540CLD7), by renowned authors William Behrenfeld, JD, LL.M., CPA, and Robert Ranweiller, CPA, provides everything needed in an easy-to-use loose-leaf format to begin building a more profitable, efficient tax practice. Consult this convenient year-round practice tool to quickly find a form or letter during tax season, or use its proven advice after the crunch to plan a powerful marketing campaign. Annual supplements will be shipped automatically. **Special limited time discount offer:** order before July 31 and save 20%. Price: \$116 member (\$145 regularly), \$127 non-member (\$159.50 regularly).

**Start Consulting—How to Walk the Talk** (No. 090439CLD7), by noted CPA practitioner and business adviser William Reeb, identifies and reviews the skills, techniques and organization fundamentals required to effectively sell, deliver and administer future-focused advisory services, including: identifying business opportunities, generating additional revenues with consulting, increasing client loyalty with consulting, transitioning from traditional compliance and expert services to advisory and non-traditional

services, billing for advisory services, marketing your practice effectively and inexpensively, and much more. Price: \$44 member, \$55 non-member.

**DISCOUNT OFFER. Three-Volume Codification Set** (No. 057170CLD7). Purchase all three of these Codification titles by July 31 and save over 35% off the individual list prices: *Codification of Statements on Auditing Standards Nos. 1-87*, *Codification of Statements on Standards for Attestation Engagements Nos. 1-9* and *Codification of Statements on Standards for Accounting and Review Services Nos. 1-7*. Price: \$60.15 member (\$95.50 regularly), \$75 non-member (\$119.25 regularly).

**Steve Leimberg's Estate Planning QuickView** (No. 016576HSCLD7) is a time-saving client presentation program for estate and financial planners that provides instantaneous answers to two of the most important questions you - and your clients - need to answer: What dispositive strategy will reduce taxes to the lowest possible amount? What dispositive strategy will provide the highest amount for heirs?

Incorporating 1997 and 1998 tax law changes, QuickView '99 is a state-law-sensitive flowchart and graph-based Windows software that presents answers in seconds about what arrangement will provide the most for your client and your client's family at the least possible cost through a comparison of six major dispositive plans; flowcharts, graphs and summaries on the screen - or in print - that show your clients the estate tax consequences of doing nothing; and multiple "what if" tax savings scenarios, illustrating "highest to lowest" comparisons in the presence of your client. Price: \$199 member, \$249 non-member.

now available

**To order, write:** AICPA Member Satisfaction Team, CLD7, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). **Prices do not include shipping and handling. Have membership number ready.**

## AICPA Testifies to Congress About How *CPA WebTrust*™ Can Help Small Businesses; Appears At FTC Briefings on E-Commerce

The AICPA testified before the U.S. House Committee on Small Business recently about how accounting profession assurance services like *CPA WebTrust* can help small businesses overcome possible challenges facing them when conducting electronic commerce over the Internet. WebTrust helps to level the playing field, the AICPA said, for small, online businesses that do not benefit from nationally recognized brand names by assuring their customers that their Web sites have met the most comprehensive e-commerce standards to protect consumers online.

These standards, known as the *WebTrust Principles and Criteria*, ensure that the site fully discloses its business practices for e-commerce transactions to Web site visitors, that it executes transactions according to these business practices, that appropriate controls are in place so that transactions executed at the site are completed as ordered, and that the site maintains effective controls to protect privacy of customer information and financial data. WebTrust also provides a consumer complaint mechanism through an independent, third-party arbitrator that allows consumers to resolve problems about privacy infringements, product quality and customer service. By giving credibility to small business Web sites, WebTrust helps them to access a worldwide customer base and bring global elec-

tronic commerce to its full potential, the AICPA said. A copy of the testimony is available from [www.aicpa.org/news/p052699a.htm](http://www.aicpa.org/news/p052699a.htm).

In a related but separate action, the AICPA offered information to the Federal Trade Commission about WebTrust at briefings on June 8 and 9 in Washington, D.C. During the briefings, the AICPA highlighted several achievements of the *CPA WebTrust* seal of assurance program, including development of the consumer complaint mechanism and the program's continued global expansion. In addition to the U.S. and Canada, the service is now offered in Puerto Rico, England, Scotland, Ireland, Wales and Australia.

## legislation

### AICPA Recommends to Congress "Top 10" Areas of Tax Code to Simplify

The AICPA recommended to Congress 10 top areas of the tax code that need to be simplified during recent testimony before the House Ways and Means Oversight Subcommittee. The list represents 10 unnecessarily complex areas of the tax code that cause many problems for individual and small business taxpayers. The list also includes recommended fixes for each area and can be used by lawmakers as a guide to simplifying the tax system. The "Top 10" list includes the individual AMT, Earned Income and family credits, worker classification and phase-outs. A copy of the testimony, which includes the complete "Top 10" list, is available from [www.aicpa.org/news/p052599a.htm](http://www.aicpa.org/news/p052599a.htm).

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## AICPA

# The CPA Letter

## AICPA Board Readies Volunteer Committee Structure for Quicker Response to Market Challenges, Opportunities

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Internet Venture Set Up to Help CPA/PFSs Generate New Business .....

The AICPA Board of Directors at its July meeting approved a revamping of the Institute's volunteer committee structure. The new approach will involve more members on a wider variety of projects than ever before.

The new structure is aimed at achieving a broader reach to tap the special expertise and interests of individual members from all segments of the profession. It is intended to ready the profession to address important issues more quickly and effectively as the profession implements the CPA Vision.

Around the country, state societies have engaged in similar restructuring initiatives. Aimed at the same kind of targeted redeployment of member resources, results have exceeded expectations in surprising ways.

In Illinois, for example, according to Morris Oldham, vice president of that state's CPA society, not only has overall volunteer participation increased by 20%, but new interest-based groupings of members have spawned fresh perspectives and identified strong candidates for future leadership. Illinois' new committee structure, ironically, also appears to enhance the focus of standing committees, whose work becomes more finely targeted, with important but unrelated work going to the ad hoc interest groups. Resulting redeployment of staff resources has allowed renewed focus on support of important member groups, such as the Women's Executive Committee and a planned effort aimed at younger members.

### A Task-Force Based Model

The AICPA's new model is task-force driven, but utilizes both the task force and committee formats. It is meant to imbue the volunteer committee system with the flexibility and nimbleness to keep pace with rapid marketplace changes. Multiple task forces can be created as needed and at any time to allow active member interchange, decision-making and input on critical initiatives.

Volunteer direction over the work remains in the new structure as does responsibility and authority over the outcome of that work.

Task forces differ from committees in their being project-oriented and lasting only as long as needed to produce the designated outcome. With a work approach that is strategic, quick-to-action and market-sensitive, task forces are appointed to generate a result, achieve it quickly, and then dissolve.

Standing committees in the new structure will support four specific functions: by-law required committee operations, strategic initiatives, quality assurance and public protection functions, and member benefits/coordination matters. The model allows for the use of either the task force or committee format, depending on which best meets members' needs.

To fill the many new and different volunteer opportunities that the task-force driven model will create, the Institute will enhance and enlarge a data base of active volunteers. Information captured in the data base will include each member's specific expertise as well as expressed areas of interest, creating a dynamic talent "pool" for volunteer service. The model also will provide user-friendly methods for all members to identify projects of interest to them and volunteer to participate. In this way, opportunities for member participation and involvement will be greatly increased, facilitating quicker and more targeted use of members' talents, insights and interests.

In moving to the new model, nearly 50 committees will not continue in their current form. While the affected committees as formal entities are being discontinued, their work and objectives will not be lost. In-progress initiatives will be reviewed, and important projects will then continue using a task-force approach.

Also, to facilitate global prioritization of opportunities across all volunteer efforts, a new cross-functional group of members

*continued on page 4*

## Members Warned About Calls from "AICPA" Soliciting Information

The AICPA has learned that during the past several months, someone posing as a representative of the AICPA Member Satisfaction Team has been contacting accounting firms claiming to be updating a mailing list of the firm's employees. The Institute suspects this person is a headhunter attempting to obtain firm names, titles and phone numbers for use in recruitment efforts. Members are reminded the AICPA does not solicit this type of information from accounting firms. Be assured any such caller has no affiliation with the AICPA. If you receive such a call, advise Jay Rothberg, vice-president—member satisfaction, at 201/938-3980, or call our Member Satisfaction Voice Mail Box at 888/999-9252.

### news briefs

## XML-Based Financial Reporting Language Project Underway

The AICPA announced it is part of a joint effort with the "Big Five" accounting firms and others to develop an XML-based specification for the preparation and exchange of financial reports and data.

The specification, currently called XFRML (for "eXtensible Financial Reporting Markup Language"), is a framework that allows the financial community a standards-based method to prepare, publish in a variety of formats, exchange and analyze financial reports and the information they contain. XFRML, which will be freely available, will also allow financial information prepared using this framework to be extracted or exchanged, easily and automatically, among software applications designed for such purposes.

XML is a self-describing, platform-independent, expandable and standardized method of exchanging information of all sorts. It is designed to work well over the Internet. XML can be used independently

or incorporated into other software applications that require flexible information sharing. XFRML will make use of XML to create the language for financial reporting.

Following are the joint project's participants: the AICPA; the five largest accounting firms; a middle-market ERP information systems consultant (The Woodburn Group); two accounting software market-related companies (FRx Software Corporation, Great Plains Software); Interleaf Inc., an XML content-management company; and FreeEdgar, a leading distributor of financial information over the Internet. Microsoft Corporation also is part of the project.

For more information, visit [www.xfrml.org](http://www.xfrml.org) (the AICPA's Web site on the project) or see this month's *CPA Letter* supplements for public accounting (see access instructions below), and other supplements next month.

## Provisions Backed by AICPA in GOP Tax Cut Bill

The \$792 billion tax cut bill pushed through Congress in Aug. by the Republicans, and which the President has vowed to veto, includes changes sought by the AICPA. First, the bill would simplify three of the 10 areas of the tax code the Institute identified earlier this year as causing complexity for individuals and small business—the marriage penalty, the alternative minimum tax, and the generation-skipping transfer (GST) tax. The GST tax provision in the tax cut bill follows the proposal developed by the AICPA, the American Bar Association, the American Bankers Association and the American College of Trust and Estate Counsel. Second, the bill would allow employers to offer retirement planning assistance to their employees as a fringe benefit, so workers would no longer be taxed for such services. This workplace retirement planning provision was developed by the AICPA, the Consumer Federation of

America, and by various other organizations representing financial planners. Congressional leaders and President Clinton are expected to hammer out a compromise tax cut bill this fall. As they do so, we will continue to lobby for tax simplification and opening up the workplace to retirement planning services.

## New Chief Information Officer

Johan Margono has become the AICPA's new chief information officer. Reporting directly to the Institute's president, Barry Melancon, Margono is responsible for the many technology activities for both staff and members taking place at the Institute. He can be reached at 201/938-3311 or via [jmargono@aicpa.org](mailto:jmargono@aicpa.org).

## CPA Letter Supplements Available

To obtain any of the member-segment supplements (noted in *italic*) produced this month with *The CPA Letter*:



Dial 201/938-3787 and key in document no.: *large firms*, 1550; *medium firms*, 1551; *small firms*, 1552; *business and industry*, 1553; *internal audit*, 1554; *government*, 1555; and *education*, 1556



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

### Accounting and Review Services

**Committee:** Sept. 16-17, New York City

### Accounting Standards Executive

**Committee:** Sept. 14-15, New York City

**Auditing Standards Board:** Sept. 22-24, Tucson, Ariz.; Oct. 26-28, New York City

### Other meetings

**Peer Review Board:** Oct. 4-5, Monterey, Calif.

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Geoffrey L. Pickard, Vice President—Communications

Ellen J. Goldstein, Editor e-mail: [egoldstein@aicpa.org](mailto:egoldstein@aicpa.org)

## AICPA Names Industry Hall of Fame Inductees

The AICPA has named the first three inductees to its Business and Industry Hall of Fame. Receiving this honor are James S. Lusk, CPA, vice president and controller of Lucent Technologies, Inc.; Richard F. Teerlink, CPA, recently retired chair of Harley-Davidson, Inc.; and Peter Thorner, CPA, chair and CEO of Bradlees, Inc.

Replacing the annual Outstanding CPA in Business and Industry Award, the Hall of Fame recognizes CPAs who have embodied the core values and competencies reflecting the expanded roles of CPAs in business and industry as strategic thinkers and planners who provide vision and insight, understand all facets of an enterprise, and demonstrate leadership and commitment.

Lusk played a key role in the spin-off of Lucent from AT&T, including the transfer of \$20 billion in assets, by creating the organizational structure of the company. He also introduced new information technology systems to the new company. As a result of his leadership, Lucent's initial public offering, the largest in U.S. corporate history at the time, generated more than \$3 billion. Now, in its second year, Lucent is a \$26 billion company with approximately 130,000 employees worldwide and offices in more than 90 countries.

Thorner guided Bradlees, which had incurred significant operating losses in the prior two years, out of Chapter 11 bankruptcy protection

and increased sales, profitability and customer service levels. He restructured the organization, and conceptualized and implemented a merchandising strategy that substantially increased market share. His policies, procedures and systems significantly reduced overhead while improving operating efficiencies. Before taking the helm at Bradlees, he led Ames Department Stores, another leading discount department store chain, out of Chapter 11 bankruptcy protection and back to profitability.

Teerlink transformed Harley-Davidson from a near bankrupt organization, beset by fierce international competition and quality and production problems, to its former spot at the top of the U.S. "superheavyweight" motorcycle market category. He instituted just-in-time inventory management, statistical process control, and employee involvement programs, making Harley-Davidson one of the first American companies to utilize these and other financial management techniques.

The next inductees to the Business and Industry Hall of Fame will be announced in May 2000. The deadline for nominations is Nov. 30, 1999. For more information or to submit a nomination, contact Pamela Green:



212/596-6034



pgreen@aicpa.org

## Highlights of Board of Directors' July Meeting

Among other actions at its meeting on July 15-16, the AICPA Board of Directors:

- Unanimously passed a resolution to communicate the CPA profession's position on changes to American Bar Association rules recommended by a special commission appointed to study whether multidisciplinary firms — that is, firms made up of lawyers and non-lawyers — should be permitted. Changes proposed by the commission would allow CPA-attorney partnerships by repealing the legal-ethics ban on lawyers and non-lawyers sharing fees, broadening the choices clients have in choosing their professionals and making fully multidisciplinary business solutions possible, which the AICPA supports. However, application of the recommended rule changes would also apply the legal profession's conflict of interest rules to all accounting firms with lawyers on their staffs, which could create many conflict of interest situations where none now exist.

The board noted in its resolution the profession's objection to this recommendation.

- Unanimously approved a resolution, previously discussed with Council, that it authorize a bylaw vote that would require Institute members who compile financial statements in non-CPA-owned firms to enroll individually in a peer review program. This action is in response to Council's decision to permit all CPAs to compile financial statements under SSARS No. 1. Council will consider this item at its meeting next month.
- Passed a resolution recommending to Council with endorsement to recognize the Institute's Tax Executive Committee as a standard-setting body.
- Discussed a National Accreditation Commission proposal for an Information Technology Strategist accreditation for CPAs, the first accreditation to be recommended under the Institute's new accreditation model.

- Gave its endorsement to the Pre-Professional Competency Task Force to move forward with the *Competency Framework for Entry into the Accounting Profession*, a Web-based resource targeted to accounting educators to assist them in aligning accounting curricula with the CPA Vision.
- Received an update report on CPE standards restructuring. Consensus has been reached with the National Association of State Boards of Accountancy for the concept of self-directed CPE, which includes non-traditional forms of learning; a method for assigning credit to such learning remains to be resolved.
- Received a presentation by the American Association of Hispanic CPAs in which representatives commended the ever-closer relationship between it and the AICPA and recognized the Institute's support of the association's activities and of increased diversity in the profession.

## FASB Proposes to Revise Standards for Transfers of Financial Assets

The Financial Accounting Standards Board has released a proposal that would amend FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of*

*Liabilities*. Comments are due Sept. 27.

A copy of the proposal is available from [www.fasb.org](http://www.fasb.org).





By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

## chair's corner

One of my five key initiatives was for the AICPA to develop a knowledge and information management structure within the Institute that would increase the efficiency and effectiveness of information for all our members and the public. I am pleased to announce that we are now moving forward with that initiative, with the implementation of KnowledgeNet, the Institute's new Web-based knowledge management tool that will make resources — including shared documents, online discussions and research — available to AICPA staff, committee members and state CPA societies.

KnowledgeNet currently is being piloted among selected AICPA day-to-day work teams and committees. Access to a profession-wide knowledge management system is planned for the entire membership in the future. The AICPA has reached the historic decision that it redefine itself as a Web-based organization — in effect creat-

ing an "Electronic Institute."

Being a Web-based organization means more than just considering the Internet as an option to deliver information and products to our members. It means an iron-clad commitment to think 'Web First' and to refocus our efforts and work processes to fully exploit the opportunities the Web offers.

Having a Web First philosophy does not mean everything goes automatically on the Web only. While using the Internet will be the rule rather than the exception, the AICPA will utilize whatever alternate, and perhaps traditional, methods make sense for a given project.

To help committee members and others capitalize on the capabilities and potential of the Internet, the AICPA has developed this knowledge management system called KnowledgeNet. It is a powerful tool that will enable our profession to better utilize knowledge — to share it, to collaborate on it, and to disseminate it broadly or to targeted audiences. By the AICPA being a knowledge-based organization, members will be able to act in *real time*, with access to up-to-the-minute information.

Taking advantage of all that technology offers certainly is in line with the CPA Vision. The Vision tells us the profession is going to be a much broader profession than it is today and be globally deployed. For us to be the profession of tomorrow, the AICPA has to become the "Institute of the Future." It needs to change from a mass producer to a mass customizer, and from a

paper-based publisher to one that has the elements of a Web company, becoming a broadcast facility and a newsroom.

Another example of the AICPA's focus and effort helping members to make use of the Web is the XML project currently underway (see page 2), a collaborative effort that is aligned with the Institute's electronic business strategic initiative. That strategic initiative is to "establish CPAs as the premier knowledge professionals leveraging electronic business and information to solve business issues and capitalize on opportunities." The intent of this project is to build a bridge for members to go from a paper-based economy to an electronic/digital one. The transformation of the global business world to an electronic economy is happening, and we must set the course for the profession's purposes and seize opportunities that are before us.

The AICPA's being an Electronic Institute will be an evolving, ongoing process. We will be forever changing to maximize possibilities for the membership, with boundaries drawn only by our imagination and creativity.

A detailed business plan is currently being formulated by a dedicated cross-functional project team. We will keep you updated on this exciting initiative as it unfolds. While it may take some adjustment on the part of all of us, I hope you share my enthusiasm about the endless opportunities and possibilities that lie ahead and will embrace this Web First approach.



okirtley@vacorp.com

### continued from page 1 — Committee Structure

from various segments of the profession will be set up. This group will hold responsibility for identifying emerging issues and capturing the "hottest" concepts in the marketplace so the AICPA can rapidly respond with appropriate actions. Emerging issues identified by this group will be quickly and effectively turned into volunteer task-force projects to generate member benefits. This step will be handled by another group, consisting of volunteer leadership, senior AICPA management and staff, that will evaluate and take action on the issues identified. It will evaluate proposals, approve action plans, participants and budgets, and allocate resources. In carrying out this role, it will seek input from the Strategic Planning Committee and the board of directors.

Implementing the new model will result in streamlining of the overall volunteer structure, and it will be entirely cost-neutral to the Institute while increasing participation. Wherever possible,

work will be conducted electronically.

Significantly, the new model does not signal a change in strategic directions or plans, or a change in the nature of the issues to be addressed. Rather, the restructuring is an attempt to create an environment that approaches marketplace needs and changing business realities with greater speed and focus.

The decision to move to the new model is based on extensive research by the AICPA that included a board-initiated Committee on Committee Operations pilot study involving three separate committees. Applying the newly identified needs of the CPA Vision to the positive member feedback received in the pilot study, along with outside research, a cross-functional team presented and received approval on its plan at the board meeting.

The new structure will take effect at the beginning of the committee year next month. Look for future stories in *The CPA Letter* and the *Journal of Accountancy* as the new committee process evolves.

## “Paving the Way” for the CPA Vision

Next month will mark a new phase for the CPA Vision, as CPAs across the nation open their issues of the *Journal of Accountancy* to discover the new Vision CD-ROM, “The Future is in Your Hands.”

Members of the AICPA, state CPA societies and other accounting organizations are now beginning to understand the Vision and are applying it to their own businesses, accounting disciplines and specific interests. One area of note is “Paving the Way,” which plays a strong role in explaining how the Vision relates to several areas identified as key components of the accounting profession.

CPAs perusing “Paving the Way” under “How do I become a CPA Pathfinder?” on the main menu will immediately see how the Vision already is working to impact education, politics, global concerns, and services and specializations. As the introduction copy states, “Vision without action disintegrates into mere sightseeing,” so, too, does the Vision lie dormant if it cannot be applied to specific audiences and services.

The population is aging, and the AICPA has identified the elderly as an important audience for the accounting profession, enabling the CPA to build upon his/her reputation and to deliver services to this group. The link called ElderCare Plus lists various deliverables, such as assisting in the selection of care providers or supervising investments and accounting procedures.

For an illustration of how one CPA is using her competencies to deliver services to the elderly, go to one of the newest CPA Pathfinders on the Vision Web site at [www.cpavision.org](http://www.cpavision.org). Peggy Stricklin of Stricklin & Associates in Denver tells how she developed her ElderCare services and how to continue the momentum after the initial consultation and ramp-up phase.

A great deal has been said about *CPA WebTrust*<sup>sm</sup>, and now participants will find a direct link that addresses this new assurance service for CPAs who want to consult with clients to ensure content and e-commerce over the Web meet stated, uniform objectives. Various ways to learn more about WebTrust are detailed in this section, including how to become a WebTrust provider.

Another section in “Paving the Way” is education, with topics that talk about, among other areas, revising the Uniform CPA Exam and various ways to attract talented students to the accounting profession. For example, links are provided to the “Just for Students” area of the AICPA Web site, and suggestions are provided on how to get involved in this endeavor.

## cpa vision process

Technology continues to be a running theme throughout the CPA Vision, and one of the links in the Services/Specializations section is specifically tailored to the various services and opportunities available to members. These include, among others, the annual Top Ten Technologies lists ([www.toptentechs.com](http://www.toptentechs.com)), the AICPA Technology Conference (now in its 20th year) and specific ways to get involved in learning more about technology and its applications.

“Paving the Way” is only one of countless dynamic areas that introduce the CPA Vision to the profession. Members are encouraged to spend time perusing all sections and to participate in the interactive areas, including self-assessments, links to Internet sites and online resources, and an extensive electronic library.



The Indiana CPA Society has developed a series of six posters to promote the CPA Vision. The first four, designed to look like the original Vision poster, feature the top five Core Values, Core Competencies, Future Services and Significant Issues. Two additional posters highlight the 11 Questions to Ask and the CPA of the Present vs. the CPA of the Future (depicted here). The society takes a set of the posters to off-site events and makes them available to its members upon request.

## Become More Media Savvy; AICPA Media Training Package Can Help

With the ever-changing nature of the profession, from the emergence of new service capabilities to enhanced and broader perceptions of CPAs among various audiences, developing a positive relationship with the local media has never been more important and critical to the success of a business or firm. *Meeting the Media: A Guide to Working Effectively with Reporters* (No.

890931CLD9), a tutorial that consists of a 32-minute video and accompanying booklet, covers such topics as message shaping, dealing with confrontational questions and establishing ongoing relations with media outlets.

“This tool was developed both in response to member requests for assistance with press relations and to encourage a larger percentage of the membership to work with journal-

ists, both proactively and reactively,” said AICPA Vice President of Communications & Public Relations Geoffrey Pickard. “The profession is changing dramatically and we have exciting stories to tell.”

*Meeting the Media* is available to members for \$15 (\$18 for non-members) plus shipping charges from the Member Satisfaction Center (see page 6).

## Tell Your Problems, Ideas to the IRS Citizen Advisory Panels

Under a pilot program, four Citizen Advisory Panels are currently operating to provide citizen input into improving IRS customer service, notify the appropriate IRS officials of systemic problems and monitor progress in effecting a change, and refer individual taxpayers to the appropriate IRS office for assistance in resolving their problems. The four panels are: the South Florida CAP; the Midwest CAP (covering Iowa, Nebraska and Wisconsin); the Pacific Northwest CAP (covering Alaska, Hawaii, Oregon

and Washington); and the Brooklyn CAP (covering Brooklyn and Queens, and Nassau and Suffolk counties). People in any of these regions can contact their CAP by calling 888/912-1227.

## IRS Education Program to Help Practitioners with Earned Income Credit Returns

To increase the accuracy of earned income credit returns, the Internal Revenue Service is starting a partnership education program with practitioners and will be scheduling visits with them in their own offices during the pre-filing season (Nov.-

Jan.). The visits aim to review EIC common problems, survival tips, eligibility rules, and due diligence requirements with the top 10,000-15,000 EIC return preparers. Local agents will conduct these "education" sessions with the practitioners and will review samples, including voluntary samples from the practitioner. A general awareness letter to practitioners will be sent out by the IRS Commissioner, and formal appointment letters will be sent out to the individual practitioners chosen to participate in this program. When the IRS is conducting these one-on-one education sessions, it will not impose a penalty for not following the EIC due diligence standard.



## New 1999 Editions of AICPA and FASB Paperbacks

**AICPA Professional Standards** (No. 005019CLD9). Price: \$99 member, \$123.75 non-member

**AICPA Audit and Accounting Manual** (No. 007260CLD9). Price: \$72.50 member, \$90.50 non-member

**AICPA Technical Practice Aids** (005059CLD9). Price: \$72.50 member, \$90.50 non-member

**FASB Accounting Standards — Current Text** (No. 005029CLD9). Price: \$99 member (available to AICPA members only)

**FASB Accounting Standards — Original Pronouncements** (No. 005049CLD9). Price: \$99 member (available to AICPA members only)

**Special Combination Prices Available to AICPA Members Only: AICPA Professional Standards and FASB Accounting Standards — Current Text** (No. 005041CLD9). Price: \$158.50 member (save \$39.50)

**All Five AICPA and FASB Paperback Titles** (No. 005071CLD9). Price: \$331.50 member (save \$110.50)

**NEW — Understanding and Implementing GASB's New Financial Reporting Model: A Question and Answer Guide for Preparers and Auditors of State and Local Governmental Financial Statements** (No. 022515CLD9). This timely resource gives you a summary of the significant portions of GASB Statement No. 34. It covers basic financial statements — and management's discussion and analysis of the government's financial performance — and gives you information on the new requirements for annual financial reports of state and local governments in 2001. Author Venita M. Wood, CPA, CGFM, provides her assessments of the new standards and offers keen insights into planning and implementation issues. Get answers to such questions as: what are the basic requirements of the new financial reporting model?; what are the various implementation dates and transition provisions of Statement No. 34?; what are the

new reporting requirements for infrastructure assets?; and more. Price: \$19.95 member (includes a 20% discount that expires 10/31), \$31.25 non-member. (Available Sept. 30).

## NEW — Financial Statement Presentation and Disclosure Practices for Not-for-Profit Organizations

(No. 006605CLD9) utilizes illustrative financial statements and related disclosures for non-governmental, not-for-profit organizations, other than healthcare providers, to provide non-authoritative practical guidance. Includes general sample disclosures as well as disclosures primarily related to the statement of financial position, statement of activity and related statements. There are chapters on financial statements prepared on a basis other than GAAP, information outside the financial statements and an appendix containing excerpts from certain authoritative pronouncements. Price: \$49 member, \$61.25 non-member.

**NEW — Income Reconstruction: A Guide to Discovering Unreported Income** (No. 056500CLD9) provides proven methods to uncover and determine the amount of unreported income in a wide variety of businesses. It provides practical approaches in what to look for and how to determine the real income, whether it be by gross profit tests, volume or capacity, standard of living, changes in net worth, etc. Each chapter represents a different type of business. The contributing author of that chapter describes an actual engagement and what is involved in performing the engagement for that type of business. Price: \$59.95 member, \$74.95 non-member.

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available

**To order, write: AICPA Member Satisfaction Team, CLD9, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail memsat@aicpa.org. Prices do not include shipping and handling. Have membership number ready.**

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- James Lee Buxton of Fort Worth, Texas, settled charges on Apr. 21, 1999, of violating Rules 202—Compliance with Standards and 501—Acts Discreditable of the Code of Professional Conduct of the AICPA and the Texas Society of CPAs (TSCPA) in connection with an audit of the financial statements of a nonprofit organization that was a recipient of federal financial assistance. Without admitting or denying the charges, Mr. Buxton agreed to a six-month suspension of his membership in the AICPA and the TSCPA and the completion of 8 hours of specified CPE during the suspension period.
- Clyde E. Beck of Salina, Kan., settled charges on May 8, 1999, of violating Rule 501—Acts Discreditable of the Code of Professional Conduct of the AICPA and the Kansas Society of CPAs (KSCPA) for failing to timely file his federal individual income tax returns from 1987 through 1993. Without admitting or denying the charges, Mr. Beck agreed to a six-month suspension of his membership in the AICPA and the KSCPA and to successfully complete 7 hours of specified CPE during the suspension period.
- David G. Allen of Sweetwater, Texas, settled charges on June 15, 1999, of violating AICPA Bylaw 7.4.6 and the Texas Society of CPAs (TSCPA) Bylaw Article III, Section 8(d) by failing to comply with the directives of the letter of required corrective action issued to him by the TSCPA. Without admitting or denying the charges, Mr. Allen agreed to be expelled from membership in the AICPA and the TSCPA.
- Morton E. Simmons Jr. of Worcester, Mass., settled charges on June 18, 1999, of violating Rules 202—Compliance with Standards and 203—Accounting Principles of the AICPA's Code of Professional Conduct in connection with his audit of an employee benefit plan. Without admitting or denying the charges, Mr. Simmons agreed to a two-year suspension of his membership in the AICPA, to successfully complete 79 hours of specified CPE courses during the suspension period, and to submit one work product to the AICPA's Professional Ethics Division for review.

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

— *Terminated*

- Lawrence R. Freedman of Palm Beach, Fla., effective Nov. 13, 1997, for violating the AICPA's Code of Professional Conduct Rules 102—Integrity and Objectivity and 501—Acts Discreditable.
- Brian Patrick McCaffrey of Jacksonville, Fla., effective June 13, 1999, for violating Rule 202—Compliance with Standards of the AICPA's Code of Professional Conduct in connection with his audit of an employee benefit plan.

- Thomas L. Skala of Las Vegas, effective July 14, 1999, for violating AICPA Bylaw Section 7.4.6 by failing to comply with the continuing professional education directives of a letter of required corrective action issued to him by the Professional Ethics Division.

— *Admonished*

- Harold C. Farnsworth Jr. of Starke, Fla., effective June 13, 1999, for violating Rule 501—Acts Discreditable of the AICPA's Code of Professional Conduct for failing to timely file his federal tax returns for a 10-year period.

## disciplinary actions

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

— *Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- Abraham E. Bell of St. Louis, effective Apr. 14, 1999, following a U.S. Court of Appeals decision affirming his conviction of aiding and assisting in the preparation of false income tax returns, and conspiracy to defraud the United States. Mr. Bell's membership had been suspended pending the appeal of his conviction (*The CPA Letter*, Feb./Mar. 1999).
- Laura R. Kreisler of Kansas City, Mo., effective Apr. 28, 1999, after pleading guilty to stealing.
- Fabian A. Kwiatek Jr. of Wheaton, Md., effective Apr. 28, 1999, after pleading guilty to aiding and abetting, and assisting/aiding in the filing of false returns.
- Randall Holland of Longview, Texas, effective June 25, 1999, after pleading guilty to theft by a public servant and theft of firearms.

— *Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Gerald Burd of Olathe, Kan., effective Jan. 22, 1999, pursuant to a settlement agreement with the Missouri State Board of Accountancy.
- John R. Shutt Jr. of Madisonville, Ky., effective May 10, 1999, for embezzlement.
- James B. Pugh of Mesa, Ariz., effective May 18, 1999, for failure to respond to the board's communications.

— *Suspended* pending the outcome of their appeals:

- Sam Lance White of La Can-Flintridge, Calif., effective May 26, 1999, after having been found guilty of securities fraud, conspiracy to commit offenses against the U.S., bank fraud and false statements on a loan application.
- John J. McAndris of Montvale, N.J., effective June 15, 1999, after having been found guilty of enterprise corruption, scheme to defraud, violation of general business law, falsifying business records, offering a false instrument for filing and perjury.

— *Terminated* following denial by an ad hoc committee of the Joint Trial Board that the automatic disciplinary action not apply to his circumstance:

- Frank Zuckerman of North Caldwell, N.J., effective June 28, 1999, after pleading guilty to conspiracy to commit mail fraud, mail fraud, foreign transportation of stolen property, money laundering and tax evasion.

## Internet Venture Set Up to Help CPA/PFSs Generate New Business

DALBAR and Microsoft have teamed up with the AICPA as a participating organization, along with 25 other organizations, to offer a Web-based approach to generating business for CPA Personal Financial Specialists. More than 250 CPA/PFSs have already enrolled in the twelve-month pilot program, with Warburg Pincus Asset Management agreeing to contribute the cost of participation (a \$450 value) for the first 250 CPA/PFSs signing up.

In its most basic form, this business development service uses the Internet to find the qualified clients with whom a CPA/PFS would prefer to work and refers those individuals to that practitioner. This referral service can help CPA/PFSs look for new clients and permits prospective clients who want their services to find them.

The service combines DALBAR's understanding of the financial advice business with Microsoft's access to millions of consumers of every demographic category to locate only the ones who are actively seeking an adviser. The prospective clients are interviewed through a proprietary system that yields the best possible match of client and professional. DALBAR expects this to produce an average of one highly qualified referral per month per professional.

Openings in the program are now on an "as available" basis (the first 300 slots were taken in less than one week). In addition,

professionals who participate must have a minimum of five years of experience and no regulatory sanctions for five years. The AICPA does not endorse Warburg Pincus Asset Management or the Microsoft-DALBAR Internet matching referral program.

The site is available through [msn.moneycentral.com](http://msn.moneycentral.com) or [www.therightadvisor.com](http://www.therightadvisor.com). A CPA/PFS joining now will pay \$250 rather than the \$450 DALBAR normally charges. E-mail questions to [mmayo@dalbar.com](mailto:mmayo@dalbar.com) or call 617/723-6400.

technology

### Next PFS Exam to Be Given Nov. 5

Members interested in taking the Nov. 5 exam to earn the Personal Financial Specialist designation (other criteria also apply) have until Oct. 8 to register. Call the Sylvan National Testing Center at 800/846-8080; the six-hour exam costs \$300 and will be administered at more than 250 locations nationwide. There is no application to complete.

To obtain a *PFS Candidates Handbook* (No. G00055CLD9; no charge), call 888/777-7077 (select options #2, 5, 1). E-mail questions to [pfs@aicpa.org](mailto:pfs@aicpa.org).

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# The CPA Letter

October 1999 Vol. 79 No. 9  
A News Report to Members

AICPA

## New Volunteer Committee Structure Update

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As reported in Sept.'s issue of *The CPA Letter*, the AICPA's volunteer committee model has been revitalized to increase both the scope of issues to be addressed by the profession and the opportunity for more members to become directly involved in the future of the profession. Another goal of the new committee model is to install a more flexible and timely structure to meet members' needs and rapidly respond to an ever-changing marketplace. Providing support to accomplish these goals will be a sophisticated Web-based knowledge management tool that allows collaboration on information and documents.

One key aspect of the new committee/task force structure is the formation of a cross-functional group of members representing all areas of the profession. Currently, a "Group of 100" is being assembled and will have its first meeting on Nov. 2 and 3. The group, consisting of CPAs from various segments of the profession and other business professionals, will identify and prioritize critical emerging issues to be addressed in the upcoming year, enabling the profession to implement Vision-aligned actions. Once consensus on the most significant issues is reached, the top issues will be

presented to a smaller team of volunteers and senior AICPA staff, which will be responsible for rationalizing and evaluating proposals, approving action plans, establishing task forces and budgets, setting priorities, and allocating resources accordingly.

Much enthusiasm and support for the new structure exists among those invited to participate in the Group of 100. George W. Wilson Jr. of the Information Technology Practices Subcommittee said, "The IT committees support the move 100%." Business and Industry New Finance Committee member Gary M. Lubin said, "I am confident the new committee/task force model will be successful." Comments from others also provided strong positive feedback. Council and Accounting and Reporting Subcommittee member Jacob J. Cohen offered, "...I personally think it is an extraordinarily productive and constructive move."

Future issues of *The CPA Letter* will update members on the progress of the group as well as the implementation of the new committee/task force structure. For more information on the committee restructuring initiative, e-mail David Ray at [dray@aicpa.org](mailto:dray@aicpa.org).

## Assurance Services Are an Integral Part of the CPA Vision

Applying their backgrounds and experience, CPAs working in today's marketplace provide unique value in the level of trust they earn and maintain with clients, employers, peers and users of CPA services. This "trust" has opened the door to the new assurance services, a set of market opportunities identified by the AICPA Special Committee on Assurance Services.

Estimated to reap significant potential revenues for the profession, these services include electronic commerce (CPA WebTrust<sup>SM</sup>), business performance measurement ("CPA Performance View"), reliability

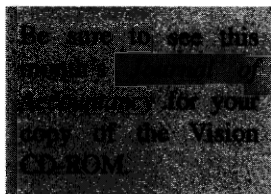
of information systems ("CPA SysTrust"), CPA ElderCare, and risk assessment.

Building on the importance of these new service deliveries, "Assurance and Information Integrity" is one of the top five services in the CPA Vision. Specifically, CPAs will be called upon to provide "a variety of services that improve and assure the quality of information, or its context, for business decision making."

As a consequence, assurance and information integrity expands services and career

*continued on page 6*

cpa vision  
process



## POB Panel on Audit Effectiveness Issues Questionnaire

Securities and Exchange Commission Chairman Arthur Levitt in Oct. 1998 requested that the Public Oversight Board of the AICPA's SEC Practice Section appoint a Panel on Audit Effectiveness to evaluate the current effectiveness of independent audits in protecting investors' interests.

The panel has requested input from a number of individuals knowledgeable about auditing or importantly affected by it. In Sept. it issued a "Request for Opinions on Issues of Audit Effectiveness." The request contains a questionnaire for gathering views that the panel believes will be valuable in its deliberations. Although responses to the questionnaire were due Sept. 27, the panel continues to welcome the input of CPAs or other interested parties. All responses to the questionnaire will remain confidential. The AICPA has published the questionnaire on its Web site.



[www.aicpa.org](http://www.aicpa.org); "News for CPAs"

## Deadline Extended for Comments on Financial Instruments ED

The Auditing Standards Board has extended to Nov. 10 the comment deadline on the exposure draft of a proposed statement on auditing standards titled *Financial Instruments* (No. 800131CLD10), extending the comment period by two months. During this period, additional information will be placed on our Web site about the practice aid that will help auditors implement the proposed SAS. To obtain the exposure draft, contact Member Satisfaction (see page 6; one copy is free) or download it from [www.aicpa.org/members/div/auditstd/expdra.htm](http://www.aicpa.org/members/div/auditstd/expdra.htm). Information about the practice aid can be downloaded

from the Web site at [www.aicpa.org/members/div/auditstd/webmater.htm](http://www.aicpa.org/members/div/auditstd/webmater.htm).

## Applications Available for Alternative Identification Number for Tax Return Preparers

In response to concerns regarding the possible fraudulent use of Social Security numbers of tax return preparers, the Internal Revenue Service Restructuring and Reform Act of 1998 contained a provision authorizing the IRS to create an alternative identification number that tax return preparers may use on client returns. Temporary and proposed regulations and Form W-7P were issued recently to implement that provision.

According to the temporary and proposed regulations, a preparer may use an alternative identification number on returns or claims for refunds filed after Dec. 31, 1999. For returns filed prior to Jan. 1, 2000, the preparer identification number to be inserted on client returns still must be the preparer's Social Security number. Tax return preparers are not required to apply for an alternative identification number and may continue to use Social Security numbers if so desired.

If you would like to use an alternative identification number, file Form W-7P, "Application for Preparer Tax Identification Number," with the IRS. Form W-7P is available on the IRS Web site. The IRS will begin processing applications this month.



[www.irs.ustreas.gov/prod/forms\\_pubs/index.html](http://www.irs.ustreas.gov/prod/forms_pubs/index.html)

## Board of Examiners Sending Survey on Practice Analysis

In its efforts to keep the CPA Exam up to date, the AICPA Board of Examiners is conducting a study of CPA practice. As part of this study, 5,000 surveys of practice

will be sent to CPAs this month. It is critical to the future of the Exam and, therefore, to the quality of CPAs entering the profession, that all members who receive a survey complete and return it as soon as possible. The contractor for the survey is the American Institutes for Research.

If you receive a survey and have any questions, contact Dwayne Norris at AIR (202/342-5129; [dnorris@air.org](mailto:dnorris@air.org)) or Ahava Goldman at the AICPA (201/938-3424; [agoldman@aicpa.org](mailto:agoldman@aicpa.org)). Participation is appreciated.

## CPA Letter Supplements Available

To obtain any of the member-segment supplements (noted in *italic*) produced this month with *The CPA Letter*:



Dial 201/938-3787 and key in document no.: *large firms*, 1557; *medium firms*, 1558; *small firms*, 1559; *business & industry*, 1560; *internal audit*, 1561; *government*, 1562; and *education*, 1563



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting & Review Services Committee:** Nov. 11-12, Ft. Meyers, Fla.; Jan. 6-7, San Diego, Calif.

**Accounting Standards Executive Committee:** Oct. 19-20, New York City  
**Auditing Standards Board:** Oct. 26-28, New York City

### Other Meetings

**Council/Annual Members' Meeting:** Oct. 17-19, Seattle



## Statement of Position Issued on Accounting for and Reporting of Certain Defined Contribution Plan Investments and Other Disclosure Matters

On Aug. 25, the Financial Accounting Standards Board approved for final issuance the AICPA's Statement of Position 99-3, *Accounting for and Reporting of Certain Defined Contribution Plan Investments and Other Disclosure Matters* (No. 014925CLD10). The SOP, prepared by the AICPA's Employee Benefit Plans Committee and the Accounting Standards Executive Committee, amends AICPA Audit and Accounting Guide *Audits of Employee Benefit Plans*; SOP 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Plans*; and SOP 92-6, *Accounting and Reporting by Health & Welfare Benefit Plans*. It simplifies disclosures for certain investments and would supersede AICPA Practice Bulletin 12, *Reporting Separate Investment Fund Option Information of Defined Contribution Pension Plans*.

SOP 99-3 is effective for financial statements for plan years ending after Dec. 15, 1999. Earlier application is encouraged for fiscal years for which annual financial statements have not been issued. Copies of the SOP can be obtained from the Member Satisfaction Center (see page 6; price: \$10.50 member, \$13 non-member).

## SEC Issues Staff Accounting Bulletin on Materiality

The Securities and Exchange Commission has issued Staff Accounting Bulletin No. 99, addressing the concept of materiality in financial statements. The bulletin expresses the views of the staff that "exclusive reliance on certain quantitative benchmarks to assess materiality in preparing financial statements and performing audits of those financial statements is inappropriate." The bulletin provides guidance on the qualitative assessment of materiality in the preparation and audit of financial statements, and reminds registrants of their obligation to maintain accounting records and inter-

nal accounting controls as required by the Securities Exchange Act of 1934. A copy of the bulletin is available on the SEC's Web site.



[www.sec.gov/rules/acctreps/sab99.htm](http://www.sec.gov/rules/acctreps/sab99.htm)

## Second Amendment to "Yellow Book" Issued

A second amendment to *Government Auditing Standards* (1994 revision), commonly known as the "Yellow Book," was issued on July 30. Amendment No. 2, *Auditor Communication*, adds a field-work standard and amends a reporting standard for financial state-

ment audits to improve auditor communication concerning the auditor's work on compliance with laws and regulations and internal control over financial reporting. This new amendment requires specific communication with the auditee, the individuals contracting for or requesting the audit services, and

the audit committee regarding the scope of compliance and internal control work to be performed under *Government Auditing Standards*. It also requires the auditor to emphasize in the auditor's report on the financial statements the importance of the reports on compliance with laws and regulations and internal control over financial reporting when these reports are issued separately from the report on the financial statements. The amendment is effective for financial statement audits of periods ending on or after Jan. 1, 2000; however, earlier application is permissible.

An electronic version of the amendment can be accessed through the General Accounting Office's home page ([www.gao.gov](http://www.gao.gov)) from the GAO Policy and Guidance Materials or the Special Publications sections of the GAO site, or directly at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm). The site also contains a new electronic version of the Yellow Book, which codifies new amendments by reflecting changes made resulting from the issuance of amendments 1 and 2. Printed copies of the standard can be obtained next month from the Superintendent of Documents at the U.S. Government Printing Office by calling 202/512-1800 or accessing [www.gpo.gov](http://www.gpo.gov) for ordering information.

regulatory matters

## AICPA-Backed Y2K Liability Bill Signed Into Law

An AICPA-backed bill to limit lawsuits relating to year 2000 disputes was signed into law by President Clinton. Enactment of the bill into law represents another victory for the business community over abusive litigation. Congress and the president acted on the bill in an effort to fore-

stall a legal free-for-all over Y2K-related computer failures. Under the new law, all companies responsible for a Y2K-related computer failure would equally share the legal liability and damages; companies with fewer than 50 employees could not be assessed more than \$250,000 in punitive damages; all companies would have 90

days from the time they were notified of a problem to fix it before they could be sued; class-action suits would be limited to 100 plaintiffs, and plaintiffs could not seek more than \$10 million in damages; and class-action suits would be tried in federal courts rather than state courts.

legislation

## Reminder for State Board CPE Requirement Fulfillment

Members are encouraged to complete their continuing professional education requirements earlier than usual this year as a precaution against any potential year 2000-related issue. Early fulfillment of the requirements will provide sufficient time for processing to avoid

a possible loss or suspension of a CPA's license/certificate.

Similarly, the AICPA must receive completed answer sheets for its self-study CPE courses by Dec. 15 to ensure enough time for grading and notification of results.



## Beta Alpha Psi Membership Expands to Include Finance and Information Systems Students

Beta Alpha Psi, the professional honors accounting fraternity for more than 80 years, recently announced significant changes in its membership and eligibility requirements to better align the national organization with emerging trends in business education and corporate hiring strategies. Effective immediately, BAP chapters can invite finance and information systems students to become members. Further, students from all three areas of study can consider membership as early as their college sophomore year.

"These changes are designed to ensure that the organization continues to serve student, academic and employer needs in the future," said Bernie Milano, president of BAP and KPMG partner in charge of university relations. The merging of information systems studies into one department of accounting and information systems — a movement expected to gain momentum — and the already common requirement for finance majors to take advanced accounting courses are indications of the increasing trend toward cross-

discipline study on campuses across the country. This consolidation trend is being driven by the needs of the marketplace. Milano notes that professional service firms have expanded their degree criteria to include finance and information systems majors for the many new assurance services they now offer, as well as for their consulting practices. Corporations, increasingly interested in breadth, are also hiring from other disciplines while encouraging more cross discipline within a major.

AICPA President Barry Melancon applauds the organization for adopting these forward-looking changes. "It puts Beta Alpha Psi on the leading edge of the profession as we move into the next century. These young students are the future profession, so it is essential that they help lead the way to achieve the profession's Vision. They deserve all our support."

BAP anticipates that its ongoing programs will be further enriched by the inclusion of a broader student base. Among its core programs are professional

development seminars to which students invite speakers and have the opportunity to interact with employers; participation in national, regional and chapter meetings that address emerging issues in the profession and the workplace; case and manuscript competitions; and community service projects which help develop service commitment and leadership skills.

An advisory forum of professional service firm and corporate representatives provides significant support for the organization. Company representatives participate in many of the ongoing programs, and new programs are being developed that will benefit both the students and the employers. Among them is the creation of a national student résumé data base that can be accessed by corporate supporters directly from their desktops. This will give students exposure to employers for internships and permanent positions while allowing these companies to access potential hires on a very focused basis.

For more information about Beta Alpha Psi, visit [www.bap.org](http://www.bap.org).

## AICPA Provides Tools to Members Offering Investment Advisory Services

The AICPA is launching a new Center for Investment Advisory Services that will facilitate members expanding their financial planning practices to include providing investment advice. The Center will offer tools, training, resources and relationships that will assist members in building an investment advisory practice, whether they are just at the beginning stage of this exciting service line or are already experienced practitioners.

The Center is starting with:

- Training to help members prepare for securities licensing exams.
- Tools, products and services to facilitate registration as an investment adviser and remaining compliant with governing regulations.
- Courses to develop a working knowledge of investment policy, the asset allocation process, performance measurement and evaluation, and account manager search and selection.
- Asset allocation, mutual funds research and other software aids.

Most of this material was developed by strategic partners, who are experts in their fields. By forging relationships with them, the AICPA was able to arrange for extremely competitive and attractive pricing.

Negotiations are underway to add many additional services, including portfolio management software, custody and clearing

services, marketing tools and other support services to enable members to plan and implement investment strategies without having to become affiliated with a broker/dealer.

For more information about the Center and services currently available, visit our Web site, which will be updated as new features are added.



<http://investmentadvisory.aicpa.org>



## AICPA PLUS Plan to Have New Insurer, New Coverage Features

Effective Nov. 1, the AICPA PLUS Plan will have a new insurer, the Transcontinental Insurance Company — a CNA\* Company. With this new underwriter, there will be new coverage features, including up to \$5 million of coverage available. A single premium for the PLUS plan gets members coverage for all their cars and homes, legal defense against personal liability suits they or their family members may face, as well as for claims arising from libel and false arrest. To obtain an immediate premium quote or an application, contact Aon Insurance Services at 800/223-7473 or visit [www.cpai.com](http://www.cpai.com).

\*CNA is a registered service mark and trade name of CNA Financial Corporation. Policy is subject to final regulatory approval.



By Olivia F. Kirtley, CPA  
Chair, AICPA Board of Directors

As my term as Chair of the AICPA Board of Directors draws to a close, and I pass the baton to Bob Elliott, I am grateful to so many of you for the tremendous strides we have made for our profession on the five key initiatives that I said I would champion when I took office. Those initiatives were:

- 1) Vision Implementation
- 2) Political Involvement
- 3) International Activities
- 4) Knowledge and Information Management
- 5) Diversity

### Vision

This past year has indeed proven to be interesting and historic times for our profession. It was a once-in-a-lifetime chance to put our fingerprints on our future. The personal commitment that so many of you made to bring our Vision to reality was overwhelming. I am in awe of the progress we made and the unity we displayed in this unprecedented effort to preserve our core values, while stimulating progress in developing new services and competencies to serve the changing business world.

Moving with increasing momentum, the AICPA and state CPA societies began to align their structures and services with the Vision, and worked together to rollout Vision implementation tools to our members.

- New assurance services were developed — ElderCare, Business Performance Measures (“CPA Performance View”), Systems Reliability (“CPA SysTrust”), and Risk Assessment.
- The National Accreditation Commission was formed and was

extremely productive. At the fall Council meeting it will seek approval of an exciting new accreditation — Information Technology Strategist — and other accreditations are on the horizon.

- A new core competency framework was developed for those entering the profession, formed around Vision-aligned skills and competencies.
- Competency models were also developed for industry CPAs and others, allowing CPAs to assess where they are now versus Vision-aligned goals.
- Our Web site continues to be upgraded, moving toward increased emphasis on technological proficiency and expertise.
- A multimedia CD-ROM was released that allows CPAs to see Vision implications from their employment perspectives.
- The Vision project’s Web site ([www.cpavision.org](http://www.cpavision.org)) was updated continually with all kinds of practical information, examples and tools.
- A development project in Internet technology was begun that could eventually transform the online use of financial information by investors and others. Six information technology firms (including Microsoft), and all the Big Five accounting firms, joined the AICPA in this exciting, pioneering project to develop a new Internet specification, so-called Markup Language, for financial reporting, known as XFRML.
- An acquisition was even made — certainly a first for the AICPA — to enhance the focus and delivery of CPE courses.

The CPA Vision Team, a group formed to capitalize on synergies of the AICPA and state societies in developing tools for Vision implementation, far exceeded my expectations and is to be congratulated. Their excitement, enthusiasm and dedication contributed greatly to the advancement of the future role of all CPAs. I thank all of you for your relentless push for Vision realization.

### Political Involvement

The new Political Leadership Cabinet was formed, with 23 of the most politically savvy CPAs from across the U.S., to develop and enhance relationships with members of Congress. Our goal is to have strong, two-way relationships so they can

call on us as resources on public policy issues and we can call on them when we have issues important to the future of the CPA profession and the protection of the public interest. Each Cabinet member was assigned certain states on which to focus their energies in improving ties, building on the talents and relationships of the CPAs “back home” in their respective states. The Cabinet has also taken a leadership role in encouraging individual CPAs to be politically involved, spotlighting the need to support the AICPA Effective Legislation Committee (our PAC) and serving as Key Person contacts.

The Political Leadership Cabinet has made great strides in its first year and I look forward to the difference it will make going forward for the CPA profession.

### International

With the emerging global economy, we recognized that our profession must “walk the talk” of being world-wide oriented and play a leadership role in international standard setting and other regulatory issues. In response to comments from the AICPA and others, the International Accounting Standards Committee revised its proposal for restructuring its organization, including adoption of a unicameral accounting standards body of 20 members, 12 of whom would be full-time members severing all commercial ties and fostering closer relationships with national standards setters around the world. Furthermore, the International Federation of Accountants’ Ethics Committee, which is chaired by an AICPA member, is in the process of revising the independence rules included in its Code of Professional Ethics. The revised rules will be the subject of an Ethics Forum to be held in Rome, Italy, next month — all 143 countries that are IFAC member bodies were invited.

### Knowledge & Information Management

In line with the Vision, the AICPA announced a “Web First” philosophy, demonstrating our commitment to maximize the power and potential of the Internet in current and future activities. KnowledgeNet, a Web-based project management tool, was introduced and will

*continued on page 8*



*continued from page 1* — **Assurance Services** possibilities; leads to more standards; may increase legal liability; increases available services and skills potential; and requires the development of new, non-traditional skills, competencies and services. The services apply in all settings to provide interpretations as to the quality, accuracy and meaning of diverse information. CPAs will increasingly provide quality advice that enhances the understanding of, and confidence in, the ability to make decisions in relevant contexts.

In the research phase of the CPA Vision, members of the External Advisory Council—a group of CPAs who provided insight during the project's inception—were asked to name the major challenges facing the profession. Among others, they were on target with this topic when they called for “an expansion of services into new areas, such as management consulting, assurance services and information management.”

Now, almost two years later with the Vision firmly in place, committees and groups throughout the AICPA are tying its

concept into their activities.

“The Vision statement and the new assurance services closely parallel one another because they are both trying to position the CPA for the future,” said Bob L. Bunting, CPA, chair of the AICPA Assurance Services Executive Committee. “While the Vision statement repositions the CPA higher on the value chain with clients and employers, the focus of the new assurance services moves the profession away from a backward looking, historical focus into a future or value-oriented mindset. We want to establish a vision for where the profession is going, and to do so, you have to look at the value chain and go up the curve in the same manner as the Vision.”

Bunting said the executive committee oversees the development of new assurance services and is consistently ensuring the CPA Vision is an integral part of the entire effort. In fact, the committee now is looking very closely at two new services—environmental and health issues, and fraud prevention—and how they interplay with the Vision.

“If you want to meet the Vision and improve your position as a CPA in the decision-making marketplace, then you must change the way you look at the business environment—and the assurance services force the CPA to think differently,” said Bunting.

For example, he said the way a CPA values a company has changed over the years, moving from a historical focus on the balance sheet to other factors, such as reviewing intellectual property.

“The assurance services are all about repositioning the CPA in the marketplace, and can greatly affect future service delivery,” said Bunting. “CPAs should realize that this is not an old-young issue; it’s a state-of-mind issue.”

For more information on the way assurance services are tied into the Vision, there are several Pathfinder profiles and white papers detailing how CPAs apply them to their businesses and practices. All profiles and documents may be found at [www.cpavision.org](http://www.cpavision.org). The full report by the Special Committee on Assurance Services is on the AICPA Web site at [www.aicpa.org/assurance](http://www.aicpa.org/assurance).

**NEW — Successful Technology Consulting: The Boomer Advantage** (No. 093014CLD10). As a trusted adviser to your clients, you are in a prime position to offer technology consulting. Technology consulting is not just about the latest equipment, but about knowing how technology can work within your client's processes. Written with the CPA in mind, this easy-to-use guide comes complete with all the tools needed — forms, letters, agreements and plan templates — to run a profitable technology consulting practice. Learn how to develop a technology consulting practice, how to structure the engagement, how to market and sell technology consulting services, and how to price engagements through models and proven strategies. Also included is a checklist for gathering important client data. The book is accompanied by a handy disk that includes a variety of customizable forms, including employment contracts, detailed program of work and examples of employment letters. Price: \$39.95 member, \$49.95 non-member.

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Incorporating current tax law changes, QuickView is a state-law-sensitive flowchart and graph-based Windows software that presents answers in seconds about what arrangement will provide the most for your client and your client's family at the least possible cost through a comparison of six major dispositive plans. Easy-to-use, the program creates flowcharts, graphs and summaries on the screen — or in print — that show your clients the estate tax consequences of doing nothing. You also have the ability to run multiple “what if” tax savings scenarios. Price: \$199 member, \$249 non-member.

**To order, write: AICPA Member Satisfaction Team, CLD10, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Prices do not include shipping and handling. Have membership number ready.**

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- Winston A. Cruz of Vallejo, Calif., settled charges on Aug. 16, 1999, of violating Rules 201(B)—Due Professional Care, 202—Compliance with Standards, 203—Accounting Principles, and 501 (Interpretation 501-3)—Acts Discreditable of the Code of Professional Conduct of the AICPA in connection with his audit of the financial statements of a governmental entity. Without admitting or denying the charges, Mr. Cruz agreed to a two-year suspension of his membership in the AICPA; to successfully complete 86 hours of specified CPE courses during the suspension period; to undergo a pre-issuance review of all audits, attestation engagements, reviews and compilations for a period of two years; and to submit one work product to the AICPA's Professional Ethics Division for review.
- Russell R. Hunt of Pauls Valley, Okla., settled charges on July 29, 1999, of violating AICPA Bylaw 7.4.6 by failing to cooperate with the Professional Ethics Division in its investigation of his alleged misconduct. Without admitting or denying the charges, Mr. Hunt agreed to be expelled from membership in the AICPA.
- Jeffrey O. Largay of Paradise Valley, Ariz., settled charges on July 29, 1999, of violating Rule 501—Acts Discreditable of the Code of Professional Conduct of the AICPA for removing client files and firm software without authorization of his former employer and making excessive, unauthorized copies from his former employer. Admitting to the charges, Mr. Largay agreed to a three-month suspension from membership in the AICPA and to successfully complete 8 hours of a specified CPE course during the suspension period.
- Timothy A. Ross of Cincinnati settled charges on July 23, 1999, of violating AICPA Bylaw 7.4.6 and the Ohio Society of CPAs (OSCPA) Bylaw Section XIII D by failing to make a substantive response to interrogatories from the AICPA's Professional Ethics Division. Without admitting or denying the charges, Mr. Ross agreed to be expelled from membership in the AICPA and the OSCP.

As a result of decisions by hearing panels of the Joint Trial Board, the following members of the AICPA were:

—*Terminated*:

- Dennis S. Foster of Pittsburgh effective July 7, 1999, for violating AICPA Bylaw 7.4.6 by failing to cooperate with the Ethics Charging Authority in its investigation of his alleged misconduct.

—*Admonished*:

- James P. Napolitano of Smithtown, N.Y., effective June 25, 1999, for violating AICPA Bylaw 7.4.6 by failing to provide proof of completion of required corrective action required by the Ethics Charging Authority. Mr. Napolitano is required to complete and furnish evidence of an ethics course within 120 days of the effective date of the hearing.

## disciplinary actions

- R. Leon Noles of Little Rock, Ark., effective July 28, 1999, for violating AICPA Bylaw 7.4.6 by failing to respond to requests for information from the AICPA's Professional Ethics Division in its attempt to investigate his alleged misconduct. He was directed to cooperate with the AICPA's Professional Ethics Division within 30 days of the effective date of the hearing or be referred back to the Joint Trial Board with a recommendation that his membership in the AICPA be terminated.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Michael M. Maharaj of Houston effective May 3, 1999, for his failure to comply with generally accepted auditing standards in the preparation of an audit and for practicing public accountancy without a registered practice unit.
- Harold L. Walsleben of Kerrville, Texas, effective May 10, 1999, for his failure to cooperate with the Texas Education Agency in an audit investigation and for failure to respond to the board communications.

### Firms Terminated from Peer Review Program

Effective June 1, 1999, the following firms were terminated from the AICPA peer review program for failure to cooperate with the AICPA Peer Review Board. Hearing panels deemed that the firms did not complete the corrective or monitoring actions required as a condition of acceptance of the firms' most recent peer reviews. The firms are: Foster & Foster of Russellville, Ala.; Kenneth W. Martin of Union City, Tenn.; and Randall Doherty CPA, Inc. of Sheboygan, Wis.

Effective June 1, 1999, the following firms were terminated from the AICPA peer review program for failure to cooperate with the AICPA Peer Review Board. Hearing panels deemed that the firms failed to submit a copy of the report, letter of comments and letter of response on the firms' most recent peer reviews. The firms are: Anderson & Company of Costa Mesa, Calif.; George M. Devins of Manhasset, N.Y.; and Ernest J. Kiefer of Depew, N.Y.

### Member Satisfaction Center

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serve as the platform to link the entire Institute family — including volunteer leaders, committee and task force members, the Board of Directors and the governing Council. Under this custom, Web-based “collaborative tool,” CPAs will be able to share, exchange, disseminate and collaborate on information, track projects automatically, chat online with colleagues, post news for selected recipients, and act in real time.

### **Diversity**

Efforts to diversify the committee membership were successful, thanks to initiatives to obtain more nominations from identified groups, member segments, and selected committees. Outreach campaigns to students also experienced success, particularly with our new print ad campaign entitled “Be a Star, Be a CPA.” This exciting, new ad campaign features CPAs with their famous pro-

fessional-athlete clients. Launched last fall, these ads were placed in several youth-oriented publications with minority students as one of the targeted audiences. Poster-size reprints of the ads were sent to minority colleges and universities across the country and to selected high schools nationwide. The campaign has been extremely well received and we have gotten hundreds of responses to an 800 number in the ads to request CPA career information.

### **Farewell**

Thank you for a wonderful and exciting year. It has been an incredibly rewarding experience working with CPAs throughout the country in these historic times of staking out our exciting careers for the 21st century.



okirtley@vacorp.com

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# The CPA Letter

November 1999 Vol. 79 No. 10  
A News Report to Members

**AICPA**

## National CPA Image-Enhancement Campaign Begins Fifth Year

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Last month marked the launch of phase five of the profession's national advertising campaign. The campaign consists of three 30-second television spots, three 60-second radio spots and three print ads. All the ads are new and incorporate the outcomes of the new CPA Vision.

Market research was conducted to help determine how to further evolve the CPA brand so that it is more closely tied to the Vision. This process resulted in the more aspirational elements of the Vision — creativity, foresight, insight — being combined with traditional CPA attributes — integrity, competence, reliability — to form a revitalized, contemporary CPA brand.

Consequently, the Institute's ads more fully demonstrate the value of working with CPAs in any business decision-making environment, as well as position the CPA as an essential force in delivering top perfor-

mance — that being an innovative professional who keeps employers and clients on the leading edge.

The television ads began appearing in Oct., with numerous placements on CNN and spots on CBS's Sunday Morning News and College Football programs. For the remainder of the fall, the TV ads will appear on CNN (Nov. 1, 6, 7, 8 and 13); CBS Sunday Morning News (Nov. 7 and 21; Dec. 5); and CBS College Football (Nov. 6 and 13).

State CPA societies have been provided with the radio advertisements for local placements and are receiving the new print ads as well. At press time, the print ads were launching in late Oct.; see next month's CPA Letter for a complete media schedule.



Louise De Sina, ldesina@aicpa.org

## Robert K. Elliott Elected Chair of AICPA Board of Directors

Robert K. Elliott was elected chair of the AICPA Board of Directors at the governing Council/Annual Members' Meeting last month in Seattle. The term of the appointment is from Oct. 1999 until Oct. 2000.

Elliott, a partner with KPMG in New York City and a member of its Office of the Chairman, has long been active in serving the profession. His previous appointments include chairing the Strategic Planning Committee and its advisory subcommittee as well as chairing the Special Committee on Assurance Services. He also had served as a member of the Special Committee on Financial Reporting and the Auditing Standards Board.

As chair of the board of directors, one of his overarching goals is to help CPAs transcend their traditional roles by embracing technology to learn customer needs as well as develop and deliver new services to meet

those needs. "As technology *permits* enterprises to better create and use information and knowledge, the competitive marketplace *demand*s it," Elliott said in his inaugural speech. "In the future, the winners and losers among our clients and employers will be determined principally by their different capacities to create and use knowledge. Our challenge — and our opportunity — is to be the principal agents by which this is accomplished."

In line with his zest to maximize the profession's use of emerging technologies, Elliott is championing a new technology-based project, currently called XFRML, an XML-based financial reporting language. The AICPA, the five largest accounting firms and several information technology companies, including Microsoft, are working together on this project (*The CPA Letter*, Sept.).

See the November issue of the *Journal of Accountancy* for the AICPA's annual report for the fiscal year August 1, 1998, through July 31, 1999.

## Top Three Scorers of May 1999 CPA Exam Announced

The AICPA Elijah Watts Sells Award winners from the May 1999 Uniform CPA Exam have been announced. Taking the gold award for the highest score was Heather L. Tryon of Indiana, the silver was given to Peter A. Prescott of Texas, and the bronze went to Hyun Kyung Kim of Delaware. More than 56,000 candidates sat for the exam.

news  
briefs

## Send Us Your E-Mail Address

With its technological capabilities expanding to include broadcast e-mail and list-serve functions, the AICPA is encouraging members to update or provide their e-mail addresses. Electronic delivery methods enable the Institute to disseminate information faster — and at less cost. Presently more than 50% of the members have provided this information to the Institute.

If you have not submitted your e-mail address to us or have changed it recently, send your e-mail address to [memsat@aicpa.org](mailto:memsat@aicpa.org). Indicate "e-mail address update" in the subject header field to help us process the submissions more efficiently. Be sure to include your full name and, if known, your membership number on the e-mail message.

Be assured the AICPA will not sell your e-mail address to outside third parties.

## Exposure Draft Issued on Proposed SAS

The Auditing Standards Board has issued an exposure draft of a proposed statement on auditing standards titled *Amendments to Statement on Auditing Standards No. 61, Communication with Audit Committees, and Statement on Auditing Standards No. 71, Interim Financial Information* (No. 800135CLD11). Comments will be accepted through Nov. 30, 1999.

In Feb. 1999, the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees issued a report that includes 10 recommendations for strengthening the independence of the audit committee and making it more effective. Two of the recommendations (numbers 8 and 10) suggest changes to generally accepted auditing standards. The proposed SAS is in response to those recommendations.

To deliver exposure drafts in a quicker, more direct manner to interested parties, all exposure drafts are published on our Web site consistent with our "Web First" policy. This exposure draft is available at [www.aicpa.org/members/div/auditstd/drafts.htm](http://www.aicpa.org/members/div/auditstd/drafts.htm). For those without Internet access, printed copies can be ordered from the Member Satisfaction Center (one copy is free, each additional costs \$6.50 for members).



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## Volunteer Appointments Process Update

As a result of the recent restructuring efforts of the Institute's volunteer committee structure, the process for soliciting members to serve on committees and task forces is being changed. The most notable change will be the requirement that all applicants provide basic information regarding their particular skills and preferences as a prerequisite to serving on a committee or task force.

A new system is being developed and implemented to facilitate this new appointments process. The particulars regarding this new process will be provided in an upcoming *CPA Letter*. Since the entire appointments process is being designed to function within a Web-based environment, all future appointment

applications will be done via an online, Web-based form.

Further, all applicants will need to have Internet access and an e-mail account. We hope you will watch for future announcements regarding the appointments process and choose to participate in one or more of the AICPA's committees and task forces.



[commite@aicpa.org](mailto:commite@aicpa.org)



Committee Appointments,  
212/596-6104

## CPA Letter Supplements Available

To obtain any of the member-segment supplements (noted in *italic*) produced this month with *The CPA Letter*:



Dial 201/938-3787 from a fax machine and key in document nos.: *large firms*, 1550; *medium firms*, 1551; *small firms*, 1552; *business & industry*, 1553; *internal audit*, 1554; *government*, 1555; and *education*, 1556



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting & Review Services Committee:** Nov. 11-12, Naples, Fla.; Dec. 9, Chicago

**Accounting Standards Executive Committee:** Dec. 14-15, Norwalk, Conn.

**Auditing Standards Board:** Dec. 15-16, New York City

**Professional Ethics Executive Committee:** Nov. 29-30, Washington, D.C.

### Other Meetings

**Peer Review Board:** Jan. 10-11, 2000, San Diego, Calif.

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By Robert K. Elliott, CPA  
Chair, AICPA Board of Directors

Having just been elected Chair of your Board of Directors, I'm looking forward to the dialogue generated by these monthly columns. I'm delighted by the opportunity to play a role in guiding the profession toward our future, the subject of this first column.

The AICPA must help members take advantage of the opportunities in the rapidly changing marketplace. To do that, we must execute the Vision as vigorously as we can and continue the AICPA's own transformation to improve the way it helps members adapt.

The economy is strong. Members are making money. Now is the time to prepare for a future we know to be inevitable. The

biblical analogy of storing grain in good times for the famine to come may be overly dramatic, but it makes a point. Trends underway can undermine our current position. Financial accounting has not kept pace with the sources of revenue in post-industrial business. Software will replace a good deal of compliance work. More and more

### chair's corner

of our services will be subject to non-CPA competition. Preparing remedies, in keeping with the biblical analogy, makes good sense.

But the analogy totally misses what the trends tell us about opportunities. CPAs must be ready to grasp them. No motive should be stronger than the financial rewards available in the information economy. That means we must make progress in developing additional services and in making existing services more valuable to customers—whether they are employers, students or clients. We have made great strides. There is now a service development infrastructure. But there is much to be done if CPAs are to assume a role in the new economy in keeping with our history.

CPAs already have a base of skills on which to build, along with market permissions based on respect for the profession's integrity and past effectiveness. Over the years, CPAs adapting on their own to their markets have acquired skills not embraced by traditional accounting education or the

CPA Exam, skills that will serve them well in the years ahead. But some of those skills are not distributed widely in the profession, and additional skills will be needed. That means we must make progress in CPE, pre-entry education, and assistance to those adopting new services.

All CPAs should be able to identify the services suitable to their markets. This is the customer-focus competency of the Vision. My guess is that nothing in the Vision is so easily underestimated; but once learned, it becomes second nature. I personally know CPAs in every segment of the profession who are superb at this, but, again, the skill is not distributed widely enough. All phases of a CPA's education should reflect the need for customer focus and contribute to effective discernment of customer needs.

Realizing the Vision will transform what it means to be a CPA. In making that transformation we must be mindful of our traditions, our heritage and the public interest. With care, imagination and good sense about what is possible, we should capture the best in what it has always meant to be a CPA and use that to propel us forward to something greater—a new level of prosperity, a more significant contribution to society, and increased public respect for the profession.



relliott@kpmg.com

## Employment Practices Liability Insurance for Firms Now Available

New legal protections for employees have led to an increase in employment-related claims against management, prompting the AICPA to endorse a program of employment practices liability insurance known as **CPA EmployerGard\*** exclusively for CPA firms.

This unique protection offers a wide range of services to help firms comply with the complexities of employment law. It gives access to information and resources that can help members reduce the risk of, and defend against, workforce-related lawsuits.

CPA EmployerGard's comprehensive coverage responds to claims of employees or clients regarding harassment, discrimination or wrongful termination. Comparison

### member news

studies show this new product to offer the broadest coverage available to CPA firms today, covering even claims involving failure to make partner. A complaint need not be in writing to activate the coverage, which is available in limits from \$100,000 to \$20 million. A novel feature of CPA EmployerGard is a risk management program that helps firms to understand and comply with myriad federal, state and local employment laws and regulations and to resolve issues before they escalate to litigation through:

- A **legal hotline** which offers insureds without charge up to 30 minutes per month of phone access to employment liability counselors who can provide

advice on employment-related practice management issues.

- **Consultation services** offering access to employment practices specialists who will, without charge, review the firm's employment application and procedures to assure that the hiring process is in compliance with applicable employment statutes and regulations. Analysis or development of an employee handbook also is provided.
- **Periodic newsletters** and related information employment topics, recent legislation and court decisions, and risk strategies for the CPA firm's practice.

To request a quote, call 800/221-3023, Monday-Friday, 8:30 a.m. to 6:00 p.m., ET.

\* Product availability pending state approval.

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- Robert L. MacCallum of Culver City, Calif., settled charges on Aug. 2, 1999, of violating AICPA Bylaw 7.4.6 by failing to cooperate with the Technical Standards Subcommittee in an investigation of his professional conduct. Without admitting or denying the charges, Mr. MacCallum agreed to be expelled from membership in the AICPA.
- David W. Dern of Springfield, Ohio, settled charges on Sept. 7, 1999, of violating Rule 501-Acts Discreditable of the

Code of Professional Conduct of the AICPA and the Ohio Society of CPAs (OSCPA) for not fulfilling his fiduciary responsibility as a trustee of a 401(k) plan. Without admitting or denying the charges, Mr. Dern agreed to a two-year suspension of his membership in the AICPA and the OSCP and to successfully complete 7 hours of CPE during the suspension period.

- Willis H. Geyer Jr. of Fairborn, Ohio, settled charges on Sept. 7, 1999, of violating Rule 501-Acts Discreditable of the Code of Professional Conduct of the AICPA and the Ohio Society of CPAs (OSCPA) for not fulfilling his fiduciary responsibility as a trustee of a 401(k)

plan. Without admitting or denying the charges, Mr. Geyer agreed to a two-year suspension of his membership in the AICPA and the OSCP and to successfully complete 7 hours of CPE during the suspension period.

As a result of a decision by a hearing panel of the Joint Trial Board, the following member of the AICPA was suspended for one year and directed to cooperate with the directives of the AICPA's Professional Ethics Division:

- Doris Beaton of Oklahoma City, Okla., effective July 28, 1999, for violating AICPA Bylaw 7.4.6 by failing to cooperate with the Ethics Charging Authority in its attempt to investigate her alleged misconduct.

## disciplinary actions

**NEW—1999/2000 Audit Risk Alerts.** Your fail-safe resources for checking vital audit considerations that might otherwise be overlooked. Priced at \$14 for members and \$20 for non-members, there are the *Compilation and Review Alert-1999/2000* (No. 022240CLD11) and the *General Audit Risk Alert-1999/2000* (No. 022250CLD11). The industry-specific alerts complement the guidance provided in many of the AICPA Audit and Accounting Guides.

Price per guide: \$12.95 member; \$18.50 non-member.

Auto Dealerships (No. 022233CLD11), Common Interest Realty Associations (No. 022234CLD11), Construction Contractors (No. 022235CLD11), Depository and Lending Institutions (No. 022236CLD11), Health Care (No. 022237CLD11), High Technology (No. 022238CLD11), **New Addition**—Hospitality: Lodging and Restaurants (No. 022252CLD11), Insurance (No. 022239CLD11), Investment Companies (No. 022241CLD11), Real Estate (No. 022242CLD11), Retail (No. 022243CLD11), and Securities (No. 022244CLD11).

**NEW—1999 Tax Guides and Checklists for Treasurers, Controllers and Financial Managers** (No. 059523CLD11) provides practical, hands-on guidance for the preparer and/or reviewer of tax returns for your company. This CD-ROM tool contains preparation and review checklists for all of the principal tax forms. Prepared by the Tax Practice Guide Committee of the AICPA Tax Division and gleaned from the Tax Team's annual publication, *Tax Practice Guides and Checklists*, this CD-ROM is an invaluable guide in the execution of one of your most important duties. Annual updates are automatically sent upon approval. Price: \$59.95 member; \$74.95 non-member.

**NEW—The CPA's Handbook of Fraud and Commercial Crime Prevention** (No. 056504CLD11). Whether in public practice or industry, business looks to you for professional advice and to set up prevention systems to minimize the risk of fraud. The Handbook contains proven guidance from leading fraud prevention profession-

als and forensic accounting experts in chapters on managing the risk of fraud, promoting an ethical environment, risk financing and fidelity insurance, internal fraud, computer security and system recovery, and much more. Save time and avoid costly oversight with ready-to-use checklists on the companion disk in critical areas, including risk management, risk financing and computer security. Plus, you will receive six editions of *Report on Fraud* — an informative bimonthly newsletter that details and offers

you defense against the latest fraud schemes from around the globe. The Handbook is updated annually to keep you current on developments in fraud prevention. Updates are sent automatically for a 60-day trial period — if you are not completely satisfied, simply return with no obligation. Loose-leaf format; price:

\$180 member; \$225 non-member.

**NEW—Solo Practice: An Owner's Manual for Success** (No. 090463CLD11) helps you improve your sole practice management to develop a more successful accounting practice. For the first time, this book brings together in one place the practice management techniques used by the nation's top sole practitioners. Each chapter includes numerous case studies and real-life examples that will help you to implement its practice-building strategies. *Solo Practice* provides you with the tools you need to retain a client who seems to be outgrowing your firm's abilities, redirect your marketing efforts to attract the type of clients you want, get more referrals from your present clients, increase your firm's productivity, and much more. Price: \$47.95 member, \$59.95 non-member.

now available

**To order, write: AICPA Member Satisfaction Team, CLD11, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Prices do not include shipping and handling. Have membership number ready.**

**Practitioner's Update (Fall 1999 Edition)** (No. 738110CLD11). Keep on top of the latest standards with this interactive, computer-based, auditing and accounting update course. Issued twice a year, this cutting-edge CD-ROM self-study course focuses primarily on new pronouncements that will become effective during the upcoming audit cycle. You will receive this new CD-ROM automatically every six months and earn 4 recommended CPE credits, as well as get new updates, until you cancel. You also have the option to return the complete course within 60 days. Call now for a free demo (No. 738115CLD11) and pay just \$7.50 for shipping and handling. Price: \$75 member, \$90 non-member.

CPE news

**Taxation Videocourses.** Once again the AICPA and Sid Kess join forces to provide you with two best sellers — 1999 Individual Tax Returns Videocourse (No. 113575CLD11) and the 1999 Corporate Tax Returns Videocourse (No. 112585CLD11). Each of

these 2-hour video courses provides 16 hours of recommended CPE credit and offers the latest significant tax developments in its area. Price each course: \$238 member, \$298 non-member. Call for your copy and ask about the “Standing Order Option” for extra CPE credits. With the Standing Order Option for complete video-course packages (No. 112588CLD11 for Corporate course; No. 113578CLD11 for Individual course), members will receive a free winter updating supplement, available Jan. 15, that offers an additional 1 hour of CPE. Next year, you will receive the new edition and the supplement automatically (return them within 60 days of receipt and owe nothing, or keep them and be billed automatically).

Have you received the new **Fall/Winter Self-Study Catalogue**? For a copy of the catalogue or any other CPE products, **place orders through the Member Satisfaction Center** (see page 4).

## State CPA Societies Focus on the Vision

Virtually all state CPA societies have begun realigning their organizations and programs to help members realize the CPA Vision and better define their core competencies, values and services. Here is a quick run-down illustrating the types of changes percolating across the country (visit [www.cpavision.org](http://www.cpavision.org) for updates).

cpa vision process

### Deep in the Heart of Texas Pathfinders

The Texas Society of CPAs is a primary example of how a state society has taken the Vision and melded it into their day-to-day member services. By Oct. 1, all 20 chapters across the Lone Star State will have proposed a pathfinding CPA from their own local area. Some of the recipients will be profiled with magazine articles in *Today's CPA*, the society's bimonthly magazine, and all will be recognized at the society's board of directors meeting in Jan. 2000.

According to Sally Sassen, TSCPA's manager of External Relations, the goal is to increase the awareness of pathfinders while creating excitement for the Vision. “We are following the same criteria established nationally for Vision pathfinders for the Texas Pathfinder project,” says Sassen. “Adhering to these guidelines ensures consistency and the idea that these CPAs are truly indicative of ‘pathfinders.’”

In early Aug., TSCPA held a “Vision to Reality Summit,” two days of meetings designed to further the strategic planning effort for the society and its chapters. The meeting was led by Austin CPA Bill Reeb, who also served as the state's delegate to the National Future Forum. Chapter visits also are planned to spread the word about the CPA Vision.

### Member Involvement and Education

Grassroots participation is key to the Vision, and the **Washington Society of CPAs** is calling upon the 30 public practice firms most involved in the society's activities to find out how they are changing the way they do business in light of the Vision.

Executive Director Marcia Holland Risch also reports that the society newsletter will cover the same topic in a how-to approach that suggests steps CPAs should take to prepare themselves to be CPAs of the future.

On the East Coast, the **New York State Society of CPAs** has redesigned its CPE offerings to include courses that closely adhere to the Vision's values, competencies and services, like a new course on *CPA WebTrust™*. The society also is working with the state board to change CPE regulations so that material outside technical expertise, such as management consulting, also qualifies for credit.

The **New Hampshire Society of CPAs** has enhanced its Web site with direct links

*continued on page 6*

## Tracking the Trailblazers: Are You on Your Way?

The CPA Vision Project has identified scores of pathfinders who have taken the Vision and successfully applied it to their careers and lives. From the Internet to International Services, pathfinders are finding innovative ways to reinvent their business models and move the CPA profession to the forefront of the new economy.

Has the CPA Vision helped you change your outlook on the future? If so, we would like to hear about it. Let us know where your vision has taken you by sending an e-mail to Suzanne Carr at [scarr@aicpa.org](mailto:scarr@aicpa.org). Be sure to include your full name, address and telephone number so we can contact you. We will feature some of the responses in future issues of *The CPA Letter*.

For those looking for ways to set the Vision in motion, consult the Vision CD-ROM distributed in the Oct. issue of the *Journal of Accountancy*. Use the Competency Assessment Tools to gauge your level of implementation and read through the pathfinder profiles to get a sense of how other CPAs are moving toward the future.

*continued from page 5 — CPA Vision Process*

to the CPA Vision site, as well as highlighting pathfinders from the state. Executive Director Marlene Gazda says that featuring the Vision on their site should do much to promote the Vision and its activities to her members.

### **Alignment with the Vision**

Out west in the Mile High state, **Colorado Society of CPAs'** Executive Director Mary Medley says, "It's becoming 'business as usual' to look at things from a Vision-aligned perspective. We're concentrating on gathering information on best practices to identify what changes we need to make to position the society's

deliverables to our members."

The **South Carolina Association of CPAs** has made the commitment to update its strategic plan annually to better align its own organization with the Vision. Similarly, the **Missouri Society of CPAs** reports it has appointed a Strategic Planning & Vision Alignment Task Force to replace the society's plan with one that better reflects the Vision—and demonstrates the responsibility the society has to deliver services to members.

President Thomas Grabowski of the **Delaware Society of CPAs** has set the Vision as his key agenda item for this year, and a presentation was given to the society's leadership team in Aug.

## **Highlights of Board of Directors' September Meeting**

Among other actions at its meeting on Sept. 16, the AICPA Board of Directors:

- Unanimously recommended for approval by Council a National Accreditation Commission recommendation to establish a new specialty accreditation for CPAs in information technology strategy. In so doing, the board also accepted the NAC's proposed experience-based point system for achieving the designation. Council is being asked to vote on the recommendation at its Oct. meeting.
- Unanimously recommended to Council the approval of various bylaw and Council resolution changes relating to modernization of bylaws, peer review of compilations, public member service on senior and permanent committees, and procedures regarding membership referenda. If approved by Council, the bylaw changes then will be subject to a member vote.
- Recommended for approval by Council the recognition of the Federal Accounting Standards Advisory Board as a Rule 203 standard-setting body.
- Received an update from the Accounting and Review Services Committee on its activities regarding modernization of the compilation standards.
- Received a presentation on the new advertising campaign.

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# The CPA Letter

December 1999 Vol. 79 No. 11  
A News Report to Members

## AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Highlights of Council's Fall Meeting

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Among other actions at its meeting on Oct. 18-19, the AICPA governing Council:

- Elected Robert K. Elliott of New York as chair of the AICPA Board of Directors for 1999-2000, and Kathy G. Eddy of West Virginia as vice chair.
- Approved various bylaw and Council resolution changes. The bylaw changes are subject to a vote by the membership (see page 4). Particularly noteworthy among the Council resolutions passed was one that modernizes procedures for membership referenda providing flexibility in issuing and tallying ballots while maintaining confidentiality. Another permits publication of disciplinary actions on our Web site or by other means.
- Approved authorization of the Tax Executive Committee as a standard-setting body under AICPA Rules 201 and 202. An important purpose of this decision is to allow the Tax Executive Committee to begin an exposure process which will ultimately convert the present, advisory *Statements on Responsibility in Tax Practice* into enforceable standards.
- Designated the Federal Accounting Standards Advisory Board as a Rule 203 standard-setting body (see page 8).
- Ratified a Board of Directors-approved action to grant an information technology accreditation for CPAs (see page 9).
- Heard plans for several strategic changes that will position the Institute for the future. One of them is the investigation and feasibility study of a powerful "vertical electronic portal" that could connect members to each other and to the AICPA as well as to the wider international business community through focused value-added information and services.

In addition, two developments are planned for CPE. First, the AICPA will create an online learning library of self-study CPE courses that would provide members all the CPE they want for an annual access fee of \$95 per year

(scheduled to begin in May 2000). Secondly, the AICPA will give its seminar courses to state CPA societies for free provided Institute members receive a \$30 discount.

Furthermore, recognizing that the Institute and the state societies engage in many common activities and have an overlapping membership of about 80%, the AICPA has called upon the states to join it in a shared service corporation that would be jointly owned by the AICPA and the societies that voluntarily sign on. The SSC, which will maintain a national database to support all participants, will perform common administrative functions, thereby eliminating redundant operations and reducing aggregate operating expenses.

- Held breakout sessions to discuss changes in the marketplace for CPAs and the professional landscape of the future (see page 4).
- Passed a resolution supporting the board's action to restructure committees and received an update on the initiative from Olivia F. Kirtley.
- Presented the AICPA Gold Medal for Distinguished Service to Jake L. Netterville of Louisiana, who served as the AICPA's chair of the board during 1992-1993. He presently heads the Institute's Political Leadership Cabinet.
- Presented the AICPA Medal of Honor to Paul Kolton of Connecticut. Kolton's service to the profession includes serving as a public member on the AICPA's board of directors.

After the Nov. *CPA Letter* was produced, it was decided to post the AICPA's annual report to the Web site ([www.aicpa.org](http://www.aicpa.org)) and make printed copies (No. G10000) available through Member Satisfaction instead of including it in the *Journal of Accountancy*.

## Volunteers Needed for 2000 USA Today Tax Hotline

CPA volunteers are needed to staff the Mar. 2 (Thursday) *USA Today* tax hotline. Each year the national newspaper and the AICPA team up for a one-day tax hotline that offers readers an opportunity to get immediate answers from the tax experts. CPAs get the chance to provide a valuable public service during tax season, and the profession is showcased through coverage of the event in the following day's paper. Volunteers work three-hour shifts: 9:00 a.m. to noon, noon to 3:00 p.m., 3:00 p.m. to 6:00 p.m., and 6:00 p.m. to 9:00 p.m. Let us know if you would like to help staff the hotline at *USA Today's* headquarters in Rosslyn, Va., right outside of Washington, D.C. Food and parking are provided, but, unfortunately, travel expenses cannot be reimbursed.



Lynn Drake, 202/434-9214



ldrake@aicpa.org

## Journal of Accountancy Now Online in Real Time

Starting with its Nov. issue, the online version of the *Journal of Accountancy* is being posted to [www.aicpa.org/pubs/jofa/joaiss.htm](http://www.aicpa.org/pubs/jofa/joaiss.htm) in the beginning of the month for the month the magazine is published. In fact, it will be live on the site before members receive their printed copies. Previously the online edition was posted to the Web site three months after the printed version was produced.

## New Conference, Discount on CPE Orders Offered

The new, timely **National Conference on Executive Compensation** will take place on May 11-12, 2000, at the Walt Disney World Hilton in Orlando, Fla. Following



the AICPA's National Conference on Employee Benefit Plans, it is designed for CPAs and attorneys, plan sponsors and consultants. The program is designed in two tracks. The first program is for those already working heavily in executive compensation; the second is for those wishing to develop a niche in this area. Recommended CPE credit: 12 hours. To receive a brochure (No. G50094CLD12) or to register, call Member Satisfaction (see page 7).

Visit [www.aicpa.org](http://www.aicpa.org) for the most current information on conferences.

While online, view the updated **self-study CPE catalog** ([www.aicpa.org/store/psearch.htm](http://www.aicpa.org/store/psearch.htm)). Members will receive 15% off their total orders when self-study products are purchased from our Web site by Dec. 31. This offer is good on complete course offerings (CPE Direct, IMA, AMA, TAP products, additional manuals and workbooks, and selected courses are excluded from this offer).

## Reminder for State Board CPE Requirement Fulfillment

Members are encouraged to complete their continuing professional education requirements earlier than usual this year as a precaution against any potential year 2000-related issue. Early fulfillment of the requirements will provide sufficient time for processing to avoid a possible loss or suspension of a CPA's license/certificate.

Similarly, the AICPA must receive completed answer sheets for its self-study CPE courses by Dec. 15 to ensure enough time for grading and notification of results.

## SEC Seeks Accounting Fellows

The Securities and Exchange Commission's Office of the Chief Accountant is accepting applications for six Professional Accounting Fellow positions. This highly successful program is designed to provide outstanding opportu-

nities for personal development and career enhancement. During their two-year terms, fellows work directly with the Chief Accountant, and are involved in the study and development of rule proposals under the federal securities laws, liaison with professional accounting standard-setting bodies, and consultation with registrants on accounting and reporting matters. Four of the fellow positions begin in June 2000; the other two begin in Nov. 2000.

Interested applicants must submit a résumé; Standard Form 171, "Personal Qualification Statement"; Form OF-612, "Optional Application for Federal Employment"; or any other written format which clearly identifies the announcement number, title, series and grade of the job for which you are applying. Forms 171 and OF-612 and "Applying for a Federal Job" (which highlights the information to be included in your résumé or other written submission) can be obtained from the Office of Personnel Management, SEC, 450 Fifth Avenue, NW, Washington, DC 20549. OF-612 also is available online at [www.opm.gov](http://www.opm.gov). Inquiries should be addressed to Eric G. Jacobsen in the Office of the Chief Accountant at 202/942-4400. Applications are due Dec. 31.

## PUBLIC MEETING NOTICES

For detailed agendas, dial 201/938-3787 from a fax machine and key in document no. 1206 two weeks prior to these meetings.

**Accounting & Review Services:** Dec. 9, Chicago

**Accounting Standards Executive Committee:** Dec. 14-15, Norwalk, Conn.; Jan. 27-28, New Orleans

**Auditing Standards Board:** Dec. 15-16, New York City

### Other Meetings

**Peer Review Board:** Jan. 10-11, San Diego, Calif.

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### Arthur Andersen's KnowledgeSpace<sup>®</sup> Is AICPA's Newest Affinity Program

Save nearly 50% on Arthur Andersen's KnowledgeSpace. This one-stop, Web-based knowledge service is just \$500 a year for AICPA members (\$995 a year for non-members). Members who sign up by Dec. 31, 1999, will save an additional \$100, paying just \$400 for the first year.

KnowledgeSpace is an online knowledge resource that gathers news, insights, diagnostic tools and connectivity, and integrates them with resources from one of the world's most trusted business advisers. KnowledgeSpace enhances collaboration among business professionals by creating virtual communities of members who face similar issues and have similar interests. In addition to the KnowledgeSpace Business Professional Community, premium communities and resources are tailored to particular functions and industries. The internal audit, wholesale distribution, health care, energy, and digital communication communities — and Arthur Andersen's acclaimed Global Best Practices Knowledgebase — are available through KnowledgeSpace.

Call 888/577-8778 to sign up for your 30-day free trial membership.

### Major New Service from AICPA at [www.IncAdvantage.com](http://www.IncAdvantage.com)

Through IncAdvantage.com, in an exclusive arrangement with the AICPA, members

will find an easy, low-cost way to provide clients with corporate filings and related services, such as incorporations, registered agent services and corporate kits.

Providing incorporation and registered agent services to clients is a business opportunity for CPAs. There are approximately 1 million new business entities formed each year, and CPAs are actively involved in advising clients on how to structure them. Yet, surprisingly, most CPAs seem to pass this business to others, such as service bureaus or attorneys. Now, IncAdvantage.com makes it easy and convenient for members to benefit from a natural, lucrative extension of their consulting practices.

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### AICPA Insurance Trust Notice of Change

The Prudential Insurance Company of America has announced that it plans to change from a mutual insurance company to a stock company, under a plan of demutualization. This conversion is currently expected to occur in late 2000.

Prudential is the underwriting insurance company for the various life, disability and long-term care insurance programs provided under the AICPA Insurance Trust. As a result of the demutualization, the Trust may receive consideration on behalf of subscribers to the Trust, who are participants in eligible programs at or about the time the demutualization occurs. Such consideration could consist of stock in the newly formed entity, cash, enhanced insurance benefits, or some other form of consideration specified by Prudential in its plan of reorganization.

Although it is impossible at this time to determine the amount and type of consideration, if any, that will be received by the Trust, the AICPA Life Insurance/Disability Plans Committee has arranged for actuarial and legal support to assist the Trust in its efforts to obtain fair and equitable treatment from Prudential for its subscribers in the demutualization transaction.

The Life Insurance/Disability Plans Committee will continue to keep subscribers to the AICPA Insurance Trust informed of future developments concerning the demutualization, as more information becomes available from Prudential.

### Changes Sought by AICPA Included in Law Revamping America's Banking System

The AICPA succeeded in protecting CPAs' access to information so that CPAs can continue to perform audits and offer a full range of services to financial institution clients under the law revamping America's banking system. The threat to the profession arose when a privacy amendment was attached to the bill that was so broad it would have locked the accounting profession out of access to financial information necessary to perform audits and to offer a broad scope of services. Another concern with the bill involved an auditor's responsibility for reporting illegal acts discovered when conducting an audit of the Board of Governors of the Federal Reserve System or one of the 12 Federal Reserve Banks. The illegal acts reporting language was deleted from the final bill, which now only requires all Federal Reserve banks and the Board of Governors of the Federal

Reserve System to annually undergo an independent audit. Such audits had been voluntary, not mandatory. Congress passed the banking bill on Nov. 4 and President Clinton signed it into law on Nov. 12.

### legislation

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## Broadening Competencies, Meeting Market Demands Are Themes Emerging from Council Breakout Sessions

Faced with ever-changing market and service demands from employers and clients, competition from and alliances with non-CPA professionals, and an economy functioning without borders, members of the governing Council discussed how to address and conquer these and other challenges at breakout sessions at the fall meeting. While the Vision identified the direction, values, services and competencies critical to the profession's future success, the two questions posed at the breakouts dealt more with the fundamental issues of recruitment and the CPA Exam as well as including non-traditional service providers in the profession.

One question asked members of Council for input on the issue that while the CPA Exam requires testing of attest skills to meet the public interest, a significant number of new CPA-firm hires never perform audits or wish to acquire those

skills. In the other question, input was sought on the issue of broader skills being needed in public and non-public accounting, the need for the AICPA to serve its CPA members, and the ever-growing array of services demanded by the marketplace that are being performed by non-CPAs.

Each of these questions elicited a variety of responses, which have been provided to the Strategic Planning Committee. Following is a summary of where there was some consensus on ideas.

Regarding the first question, all the groups agreed there was a need to "open up the profession." One suggestion for doing so was the creation of a far-reaching designation or accreditation that would center around the theme of knowledge and information professionals. In such an approach, CPAs and, possibly, non-CPAs could participate in a way that meets their specific needs. All groups also mentioned the need

to broaden competencies, and that the testing could be opened by testing for that different, broader set of skills or by multiple tests. There also was clear emphasis on the need to be global, in keeping with the expansion of business across borders.

Acknowledgement of the global community also continued appearing in responses to the second question, as did the need for the CPA profession to come to terms with the prevalence of non-CPAs providing services for which CPAs have been competing. Furthermore, CPAs often utilize the knowledge and skills of non-CPAs in providing these services, and so it was suggested the AICPA might expand its base. Branding of a designation — the building of an identity and image — was considered important to this whole process as well.

Look to future editions of *The CPA Letter* for more on these insightful themes as developments occur.

### Members to Vote on Bylaw Changes Approved by Council

Council approved several bylaw changes and has authorized a membership referendum on them. An affirmative vote by a majority of those voting is necessary for the revisions to take effect. Ballots will be mailed to all AICPA members in mid-March and will be due 60 days later in mid-May, allowing for tax practitioners to have about a month after the end of tax season to review, consider and vote on the proposals.

One proposed change relates to the practice monitoring (peer review) requirement. This bylaw amendment was advanced to reflect Council's action at its May meeting whereby CPAs in non-CPA owned entities attained permission to perform compilations under SSARS No. 1. Council approved that amendment with the proviso that those members undergo peer review on those compilations. Specifically, this bylaw change would allow individual CPAs in non-CPA owned firms to enroll in the peer review program, where now only CPA-owned firms are allowed to enroll. Thus, the proposed amendment would require individual AICPA members who compile financial statements to enroll in an Institute-approved practice-monitoring program if they perform compilation services in firms or organizations not eligible to enroll in such a program. This change levels the playing field by requiring CPAs in non-CPA owned entities to undergo the same oversight as other CPAs. The bylaw would continue to require a CPA-owned firm to enroll in the peer review program.

In recognizing the contributions non-CPAs have made when serving on the Board of Directors as "public members" and the

experience, knowledge and perspective they also could bring to other committees, Council approved an amendment to the bylaws that would allow public members to serve on any "senior" or permanent committee or board. Membership by non-CPAs could not exceed 25% of a given committee's membership, however (except for the Board of Directors, which is limited to three public members). Presently the bylaw prohibits non-AICPA members from being members of any senior or permanent committee or board. If passed, AICPA leadership intends to ask Council to approve that public members be added to the Professional Ethics Executive Committee to aid in the public perception of the effectiveness of the self-disciplinary activity.

Council also is asking members to approve bylaw changes that would modernize, clarify and remove inconsistencies with respect to governing documents. Most of the changes are ministerial/housekeeping in nature and will not be outlined in detail here. Other changes to modernize the bylaws include adding a definition of "firm" to better reflect the various business structures in which members practice, changing "partner" to "owner" to recognize marketplace conditions, and clarifying that the membership department is the official repository of members' addresses to ensure proper notification of Institute matters.

Also proposed is an administrative revision to Rule 505, "Form of Organization and Name," because it currently is inconsistent with Bylaw Section 2.5, "Right of Members to Describe Themselves as Such." Even though the bylaw controls over the

*continued on page 8*



## AICPA... Where to Turn

All address and job change information should be mailed, faxed or e-mailed to the Member Satisfaction Center in NJ. (*The CPA Letter* and *Journal of Accountancy* will automatically be updated. Indicate any other AICPA subscriptions that you have.)

AICPA, New York	212/596-6200
Fax number	212/596-6213
AICPA, New Jersey	201/938-3000
Fax number	201/938-3329
AICPA, Washington	202/737-6600
Fax number	202/638-4512
AICPA/PDI, Texas	888/247-3277
AICPA Fax Hotline (dial from fax machine)	201/938-3787
AICPA Political Action Committee	202/434-9263
Academic and Career Development	212/596-6222
Recruiting for the Profession	212/596-6105
Advertising ( <i>Journal of Accountancy</i> , <i>The Tax Adviser</i> )	
Classified ads	800/237-9851
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Accounting and Review Services	212/596-6026
Accounting Research Association	201/938-3277
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<i>CPA WebTrust<sup>SM</sup></i>	888/999-9257
CPE Course Information/Conference Registration	888/777-7077
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PCPS/The Alliance for CPA Firms	201/938-3034
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Federal Legislation (non-tax congressional matters)	202/434-9205
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<i>Journal of Accountancy</i> (editorial)	201/938-3292
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Management of an Accounting Practice	201/938-3005
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Professional Liability, CPA EmployerGard	888/221-3023

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1720 Lake Pointe Drive  
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By Robert K. Elliott, CPA  
Chair, AICPA Board of Directors

I said in my last column that customer focus is probably the component of the Vision most easily underappreciated. One reason is that the general idea is as familiar as apple pie. Who hasn't heard the business adage, "The customer is always right"? Modest activities focus on customers—courtesy and attentiveness, for example. But none of these things approach what the Vision is getting at.

Customer focus, as you know, is one of the five competencies listed in the Vision. CPAs should be able—in the words of the Vision—"to anticipate and meet the changing needs of clients and markets."

The key word is *needs*. We're not talking only about customers' wants, but their needs. The two can be the same, but they

can also differ. A customer may want what is not in his or her interest. More typically, the customer's notion of his or her business needs is less than complete. So when the Vision says *anticipate* the needs of the customer and the marketplace, it puts the burden on the CPA to perceive needs the customer has not articulated and may not be able to identify.

## chair's corner

No matter whether the customers are clients or employers, customer focus takes, at a minimum, a broad grounding in business, analytical power, and an understanding of the customer's operations, organization and industry. Inquiry can be vital, not only to identify the customer's views of what is needed, but also to understand the customer's situation and perspective. The deeper the probing, the better. Getting to see things from the customer's perspective is a learnable skill. Once learned, it enriches the professional's take from all the events, trends and conditions that affect the customer.

No Vision competency or concept is more pervasive than understanding the needs of customers and markets. The AICPA's new National Accreditation Commission is obligated to demonstrate that a new accreditation will meet market needs and therefore provide a clear economic benefit to CPAs. The AICPA's whole service-development infrastructure—

including the Assurance Services Executive Committee, for example—should be aligned with evidence of market needs. The concept should affect the way CPAs structure their continuing education. It should affect CPAs' decisions to develop new services and their responses to AICPA-developed services. Nothing is more counterproductive than investment in a service without a market. It is money thrown away.

The customer-focus competency must be addressed in pre-entry education, or incoming professionals will not be prepared. Curriculum reform should therefore address inculcating a customer focus and the skills and knowledge to make future CPAs capable of determining customer needs.

The enormous opportunities of the information age cannot be addressed wholesale. Individual opportunities must be targeted, and the targeting mechanism is an understanding of customers' needs and the needs of the wider set of potential customers who make up the marketplace. The bedrock generalization that we must develop a market-driven profession comes down in the end to fulfilling the promise of the customer-focus competency. We will never achieve the Vision unless the customer-focus competency is fully developed and universally applied.

 [relliott@kpmg.com](mailto:relliott@kpmg.com)

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- Robert J. Werner of Grand Meadow, Minn., settled charges on Aug. 23, 1999, of violating the Minnesota Society of CPAs (MNCPA) Bylaw Article 14 Section 2(c) by failing to respond to requests for information from the MNCPA's Professional Ethics Committee in its attempt to investigate his alleged misconduct.
- Daniel T. Droege of Jerseyville, Ill., settled charges on Aug. 30, 1999, of violating Rule 501 – Acts Discreditable of the Code of Professional Conduct of the AICPA and the Illinois CPA Society (ILCPAS) for submitting an application to renew his public accountant's license which he knew contained untruthful information regarding his compliance with the CPE requirements for the period reported. Without

## disciplinary actions

admitting or denying the charges, Mr. Droege agreed to a six-month suspension of his membership in the AICPA and the ILCPAS and to successfully complete 8 hours of specified CPE during the suspension period.

As a result of a decision by a hearing panel of the Joint Trial Board, the following member of the AICPA was:

### —Suspended:

- Richard B. Nystrom, of Superior, Wis., effective Sept. 22, 1999, for one year for violating Rules 201(B)—Due Professional Care and 202—Compliance with Standards of the AICPA's Code of Professional Conduct in connection with his audit of the financial statements of a not-for-profit organization. Mr. Nystrom is required to undergo a pre-issuance review of the reports, financial statements and working papers relating to all audit and review engagements performed for a period of one year.

**The Center for Investment Advisory Services.** The Center encourages members who are expanding their financial planning practice to include this exciting service line and provides practitioners with practical help in building a practice, whether they are just entering the business or are seasoned advisers. Negotiations are under way to add many products and services to enable members to plan and implement investment strategies without having to become affiliated with a broker/dealer. For example, an agreement has been reached with Securities Training Corporation that will provide members with training materials to pass the requisite securities licensing examinations. Here are some of the many resources currently available from the Center.

**Investment Management Consultants Association.** For over a decade, IMCA has been providing professional education to investment management consultants and developing industry standards.

**Investment Policy and Asset Allocation Process** (No. 730011CLD12). This module conducts a complete and rigorous treatment of the concepts and procedures necessary to formulate and implement an investment policy and related asset allocation. Highlights include establishing client investment objectives and an overview of capital markets, formulation of investment policy guidelines, determination of risk tolerance, and development of an asset allocation. Price: \$70 member; \$100 non-member.

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**Performance Measurement and Evaluation** (No. 730013CLD12) contains lessons on how rates of return are calculated and how these returns are evaluated relative to the risks that have been taken. Learn how to calculate return and risk measures and see how these calculations can be put into perspective for decision making. Included is a list of additional suggested readings on performance measure-

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**Morningstar® FundInvestor™** (No. 881445hiCLD12) is an award-winning newsletter that presents insightful articles on investment strategy and timely data on a selection of 500 mutual funds. Every issue has the single goal of helping you build and manage a great portfolio. Each issue also includes unbiased, up-to-date information on the 500 funds, including 75 Analyst Picks. Annual subscription includes 12 issues. Price: \$84 member; \$99 non-member.

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you find under-valued, high-potential stocks. Morningstar *StockInvestor* focuses on the financial and performance fundamentals of companies. Key product features include strategies and screening techniques for finding undervalued stocks; business appraisal measure—a quick, simple method for comparing one under-valued stock to another—included in all stock tables; highlighted stocks and analyses; exclusive stock grades; Morningstar Select 300—undervalued stocks you want to know more about; blue chips and popular stocks—150 of today's most widely followed stocks; and much more. Price: \$126 member; \$149 non-member for 12 32-page issues.

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For more information, visit the Center at <http://investmentadvisory.aicpa.org>.

**To order, write: AICPA Member Satisfaction Team, CLD12, P.O. Box 2209, Jersey City, NJ 07303-2209; fax, 800/362-5066; call 888/777-7077 (8:30 a.m. to 7:00 p.m., ET); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Prices do not include shipping and handling. Have membership number ready.**

## Year 2000 Interpretation Issued on SAS No. 70

The Auditing Standards Board has issued an interpretation of Statement on Auditing Standards No. 70, *Reports on the Processing of Transactions by Service Organizations*, which provides guidance on a service auditor's reporting responsibility when he or she becomes aware that a service organization's computer programs, that correctly processed data during the period covered by the service auditor's examination, did not correctly process data subsequent to the period covered by the service auditor's examination and prior to the date of the service auditor's report (the subsequent events period) because of the Year 2000 Issue.

The proposed interpretation states that since SAS No. 70 does not apply to design deficiencies that potentially could affect processing in future periods, the service auditor would not be required to report such design deficiencies in his or her report. However, potential processing problems differ from processing problems that have actually occurred and come to the service auditor's attention during the subsequent events period. Therefore, if a service auditor becomes aware of such problems, the service auditor should determine whether management has disclosed that information in section 4 of the service auditor's report, "Other Information Provided by the Service Organization." If management has not disclosed that information, the service auditor should include that information in section 3 of the service auditor's report, "Information Provided by the Service Auditor" and should consider adding a

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paragraph to his or her report highlighting the disclosure. If management has disclosed that information in section 4 of the service auditor's report, the service auditor should disclaim an opinion on that information because it is not covered by the service auditor's report.

The interpretation has been posted to the Web site ([www.aicpa.org/members/div/auditstd/announce/index.htm](http://www.aicpa.org/members/div/auditstd/announce/index.htm)) and is published in the Dec. *Journal of Accountancy*. Additional information on the Year 2000 Issue is provided in the *General Audit Risk Alert—1999/2000* (No. 022250CLD12; order through the Member Satisfaction Center—see page 7).

## Federal Financial Accounting Standards Now GAAP

At its Oct. meeting, the AICPA's governing Council adopted a resolution recognizing the Federal Accounting Standards Advisory Board as the body designated to establish generally accepted accounting principles for federal government entities under Rule 203 of its Code of Conduct. Pursuant to the resolution, statements of federal financial accounting standards issued by the FASAB since Mar. 1993 are recognized as GAAP for the applicable federal governmental entities.

In response to the Council's vote, the Auditing Standards Board issued an exposure draft of a proposed amendment to Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report*. The proposal recognizes FASAB statements as "level A" GAAP, and establishes a hierarchy for other

FASAB guidance and general accounting literature to account for transactions not specifically addressed by FASAB statements. The ASB proposal is located at [www.aicpa.org/members/div/auditstd/drafts.htm](http://www.aicpa.org/members/div/auditstd/drafts.htm).

When reporting on financial statements prepared in accordance with FASAB statements, auditors should immediately begin referring to such basis of accounting as GAAP rather than an other comprehensive basis of accounting. In evaluating the accounting for transactions not specifically addressed by FASAB statements, auditors may wish to consider the proposed amendment to SAS No. 69 in conjunction with the GAAP hierarchy described in AU section 411.05-.07.



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## SEC Issues Proposal on Audit Committee Disclosures

The Securities and Exchange Commission has proposed rules to improve disclosure about the functioning of corporate audit committees and to enhance the reliability and credibility of financial statements of public companies. Comments were due Nov. 29; the AICPA formed a task force to review the proposal and prepare the Institute's comment letter.

In Oct. AICPA President & CEO Barry Melancon told the Public Oversight Board's Panel on Audit Effectiveness that the accounting profession has appropriate controls in place to regulate the work of auditors. In his testimony, Melancon noted that the AICPA is cooperating fully with the SEC to strengthen the audit process and enumerated the steps the Institute has taken to protect investors.

## continued from page 4 — Bylaw Vote

rule, for administrative purposes it was believed the two sections should be in sync. Thus, Rule 505 would be amended to read consistently with Bylaw Section 2.5, which permits firms to call themselves "members of the AICPA" if all CPA owners are members. (The current Rule 505 provides all owners must be members.)

Another proposal is to modernize the Committee on Audit bylaw by broadening its powers so it can comply as necessary with the recommendations of the POB's Panel on Audit Effectiveness. In addition, Bylaw 7.2.1 would be revised so that the Board of Directors, instead of Council, has the right to termi-

nate the affiliation of international associates – consistent with termination of current members. It is also proposed that communications and notices can be provided electronically or by other means as authorized by Council.

The Institute invites members to express their views on these proposals. Representative letters will be posted to the Web site in early Mar., and a summary of the letters received by Jan. 6 will be published in the Feb./Mar. issue of *The CPA Letter*. Send letters of 100 words or less (type or print) to Donna Wolf, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775; fax: 212/596-6104; or e-mail: [dwolf@aicpa.org](mailto:dwolf@aicpa.org).

## Council Ratifies New Information Technology Credential

At its fall meeting, the governing Council ratified the Board of Directors' earlier unanimous approval of the creation of a new information technology accreditation for CPAs. The new IT accreditation, proposed by the Information Technology Executive Committee, is the first one developed under the auspices of the National Accreditation Commission.

The accreditation will be granted to CPAs involved in information technology strategic planning, implementation, management and business strategies. It is a broad-based credential available to CPAs with a wide range of skill levels in all disciplines — a program for CPAs acting as the bridge between management and the technologist of an organization. This role leverages the CPA's abilities as strategist and general business adviser.

"An IT accreditation hits squarely with the CPA Vision and is on target with the Institute's efforts to stretch the CPA brand and expand the market's perception of the CPA's expertise," remarked Dominic Tarantino, chair of the NAC and a former AICPA chair of the board.

"CPAs holding the IT accreditation will be instrumental in fostering the success of this program as they promote the credential to employers and clients."

The centerpiece of the new IT accreditation is a "point system," an innovative approach designed to allow for flexibility of entry into the program by both newer and seasoned CPA IT professionals. The point system is based upon business experience, life-long learning and examination. There are minimum requirements for both the business experience and life-long learning areas, with the examination being required for those who do not achieve sufficient points through experience and life-long learning. The IT accreditation is relevant to individuals with experience and knowledge in various technology-related areas, such as IT management, IT strategy, IT audit, information security, networks and telecommunications, information systems, and IT planning and budgeting.

The IT accreditation is expected to be available by next summer. For more information, e-mail [infotech@aicpa.org](mailto:infotech@aicpa.org).

## Other Accreditations on the Horizon

The NAC is evaluating several other areas for accreditation, including a proposal by the Litigation & Dispute Resolution Services Oversight Task Force to establish a new accreditation designed for CPAs engaged in or interested in providing forensic accounting and litigation support services. The NAC is also working with the ElderCare Task Force of the Assurance Services Executive Committee on a proposal to create an accreditation in ElderCare, as well as with the Consulting Services Executive Committee who is considering a broad, generalist designation in consulting.

In addition, the NAC is working with the ABV Subcommittee and the PFP Executive Committee in considering ways to increase participation in the ABV and PFS accreditation programs. Both groups are developing a "point system" similar to the IT accreditation to foster greater flexibility of entry into these accreditation programs.

For more information about the NAC, visit the AICPA Web site or contact [jlindstrom@aicpa.org](mailto:jlindstrom@aicpa.org).

## Version 2.0 WebTrust<sup>SM</sup> Principles and Criteria Released; AICPA/WebTrust-ISP<sup>SM</sup> Principles and Criteria for ISP Released

Version 2.0 of *CPA WebTrust<sup>SM</sup> Principles and Criteria* has been released and can be downloaded from [www.aicpa.org/webtrust/princrit.htm](http://www.aicpa.org/webtrust/princrit.htm). Its focus is business-to-consumer e-commerce transactions. The principal changes to Version 1.1 of the *WebTrust<sup>SM</sup> Principles and Criteria* include, but are not limited to, the following:

1. Expansion of the Business Practices Disclosures Principle to include new disclosures related to an online business' information privacy practices.

2. Expansion of the Business Practices Disclosures Principle to include information on how to resolve complaints.

3. Expansion of the Information Protection Principle to require that an online business maintain controls over the collection of data and provide consumers with a choice as to how information collected from them online will be used and provide the option to opt out of any undesired use of that information.

4. Expansion of the Information Protection Principle to require that an online business maintain controls to ensure that information collected from consumers is accurate and complete for its intended

use and that consumers can review and arrange for the correction of any incorrect data maintained by the online business.

5. Expansion of the Information Protection Principle to require that an online business maintain controls to determine the integrity and security policies of third parties to which information is transferred.

Version 2.0 of the *WebTrust<sup>SM</sup> Principles and Criteria* is effective for examination periods beginning after Dec. 31, 1999. Earlier adoption is encouraged.

Also released was the *WebTrust-ISP<sup>SM</sup> Principles and Criteria*. Public accounting firms and practitioners specifically licensed by the AICPA or Canadian Institute of Chartered Accountants can now provide assurance services to evaluate and test whether the services provided by a particular Internet Service Provider meet these principles and criteria. The

*WebTrust-ISP<sup>SM</sup> Seal of assurance* is a symbolic representation of a practitioner's unqualified report and indicates that ISP customers can click on the seal to see the practitioner's report.

This seal would be displayed on the ISP's Web site together with links to the practitioner's report and other relevant information. Download the *WebTrust-ISP<sup>SM</sup> Principles and Criteria* from [www.aicpa.org/webtrust/index.htm](http://www.aicpa.org/webtrust/index.htm).

assurance  
services

## AICPA Testifies on Corporate Tax Shelters

At a hearing on corporate tax shelters held by the House Ways and Means Committee on Nov. 10, the AICPA told Congress that "corporate tax sheltering is posing a problem for the tax system" and that "we stand ready to help you fix it....No one likes seeing the tax system scammed." On the other hand, the AICPA said, "taxpayers should be entitled to structure transactions to take advantage of intended incentives and to pay no more tax than is required by the law. The difficulty comes in drawing the delicate balance in determining when the character of a tax planning transaction changes from legitimate to abusive."

The AICPA recommended using *de minimis* rules to exempt smaller transactions and noted that not all the proposals before Congress include an exemption for small business. The Institute also endorsed House Ways and Means Committee Chairman Bill Archer's suggestion to use exceptions for transactions that have a business purpose, or are consistent with the legislative intent of the law. "If the government wants to place a greater responsibility

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on large, 'grey area' transactions, it should enact clear rules to provide for enhanced disclosure, higher standards of legal support, and higher penalties for failures in certain situations," the AICPA said. "Call these 'reportable transactions'—something a responsible corporate officer will freely disclose or decide not to engage in; not 'tax shelters.' Encourage compliance, not disrespect for the system," the Institute urged.

Among the other proposals supported by the AICPA were: a more effective disclosure regime, both in advance and with return filings; higher penalties on reportable transactions that are not disclosed; a penalty regime that provides incentives for disclosure; the use of objective indicators to identify transactions the government wants to scrutinize; evidence of due diligence by corporate officials in signing the return disclosure; higher standards for opinion letters that apply to all tax shelter opinions; and effective penalties on third parties who are not currently subject to the IRS Circular 230 rules under which attorneys, CPAs and enrolled agents practice before the IRS.

## Image-Enhancement Campaign Print Ads Running

Oct. 19 marked the launch of the print element of the national image-enhancement campaign with a three-quarter-page ad appearing in *USA Today*. Ads continued running last month. The media schedule for the print campaign for the next couple of months is as follows (the ads will run through May 2000): *USA*

*Today* (Dec. 14); *Newsweek-Business Plus* (Dec. 13, Feb. 7); *U.S. News & World Report-Blue Chip* (Dec. 6, Dec. 13, Feb. 7, Feb. 21); *Forbes* (Dec. 13, Dec. 27, Feb. 7); *Fortune* (Dec. 6, Feb. 21); *BusinessWeek* (Dec. 13, Feb. 14); *Your Company/Fortune Small Business* (Dec./Jan., Feb./Mar.); and *Wall Street Journal* (Feb. 15 or Feb. 16, Feb. 29 or Mar. 1). An upcoming *CPA Letter* will provide the media schedule for spring 2000.

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